

The background of the cover features a large, faint, circular seal of the Texas Comptroller of Public Accounts. The seal contains a five-pointed star in the center, surrounded by a wreath. The words "THE COMPTROLLER OF PUBLIC ACCOUNTS" are inscribed around the perimeter of the seal, and "TEXAS" is at the bottom.

# 2011

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Texas Comptroller of Public Accounts

# Truth-In-Taxation

A Guide for Setting Tax  
Rates for Taxing Units  
Other than Schools





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# Introduction

Truth-in-taxation is a concept embodied in the Texas Constitution (**Exhibit 1**) and the Tax Code that requires local taxing units to make taxpayers aware of tax rate proposals and to afford taxpayers the opportunity to roll back or limit tax increases.<sup>1</sup> This guide provides thousands of local taxing units in Texas guidance on how to comply with truth-in-taxation requirements when holding public hearings, considering budgets and setting rates to impose property taxes.<sup>2</sup>

By publishing this guide to instruct tax assessor-collectors, budget officers and elected officials, the Comptroller's office provides technical assistance — not legal advice. Interpretations of law must be made by lawyers representing governmental entities. Questions about the meaning of the statutes, notice requirements and other matters that are unclear in the

law and in this manual should be posed to lawyers and not to the Comptroller's staff.

Some aspects of truth-in-taxation laws do not apply to every type of local government. This guide will identify those parts of the law and discuss their application to the appropriate taxing units.

There are four principles to truth-in-taxation:

- Property owners have the right to know about increases in their properties' appraised value and to be notified of the estimated taxes that could result from the new value.
- A taxing unit must publish its effective and rollback tax rates before adopting an actual tax rate.

## EXHIBIT 1

### Texas Constitution Truth-in-Taxation Provisions

The Texas Constitution sets out the general requirements for truth-in-taxation. Tax Code Chapter 26 provides the specifics.

#### **Article VIII, Section 21. INCREASE IN TOTAL PROPERTY TAXES; NOTICE AND HEARING; CALCULATION.**

- Subject to any exceptions prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed by that subdivision in the preceding year unless the governing body of the subdivision gives notice of its intent to consider an increase in taxes and holds a public hearing on the proposed increase before it increases those total taxes. The legislature shall prescribe by law the form, content, timing, and methods of giving the notice and the rules for the conduct of the hearing.
- In calculating the total amount of taxes imposed in the current year for the purposes of Subsection (a) of this section, the taxes on property in territory added to the political subdivision since the preceding year and on new improvements that were not taxable in the preceding year are excluded. In calculating the total amount of taxes imposed in the preceding year for the purposes of Subsection (a) of this section, the taxes imposed on real property that is not taxable by the subdivision in the current year are excluded.
- The legislature by general law shall require that, subject to reasonable exceptions, a property owner be given notice of a revaluation of his property and a reasonable estimate of the amount of taxes that would be imposed on his property if the total amount of property taxes for the subdivision were not increased according to any law enacted pursuant to Subsection (a) of this section. The notice must be given before the procedures required in Subsection (a) are instituted.

*Source: Texas Constitution, Article VIII, § 21*

<sup>1</sup> Texas Constitution Article VIII, § 21 and Tax Code Chapter 26.

<sup>2</sup> Tax Code § 26.04 et. seq.

- A taxing unit, other than water districts and small taxing units which are covered by special provisions, must publish special notices and hold two public hearings before adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate. A water district must publish a special notice of public hearing, and a small taxing unit must publish a simplified notice.
- If a taxing unit adopts a rate that exceeds the rollback rate, voters may petition for an election to limit the rate to the rollback rate.

Beginning in early August, taxing units take the first step toward adopting a tax rate by calculating and publishing the effective and rollback tax rates.

The effective tax rate is a calculated rate that would provide the taxing unit with about the same amount of revenue it received in the year before on properties taxed in both years. If property values rise, the effective tax rate will go down

and vice versa. The rollback rate is a calculated maximum rate allowed by law without voter approval. The rollback rate provides the taxing unit with about the same amount of tax revenue it spent the previous year for day-to-day operations, plus an extra 8 percent increase for those operations, in addition to sufficient funds to pay debts in the coming year. If a unit adopts a tax rate higher than the rollback rate, voters in the unit can circulate a petition calling for an election to limit the size of the tax increase.

Each taxing unit, other than a water district or a small taxing unit, publishes — or mails to each taxpayer — the effective and rollback rates in a local newspaper, along with a list of the debts it must pay and the amount of money left over from the previous year. If taxpayers believe the taxing unit has not calculated and published these rates or other required information in good faith, they may ask a district court to stop the taxing unit from adopting a tax rate until it complies with the law.





## CHAPTER 1:

## Truth-in-Taxation Overview

Creating a budget and adopting a property tax rate to support that budget are major functions of a governing body. This is accomplished by following Legislative guidelines to ensure the public is informed of any increases.

### Important Dates

The Tax Code establishes target dates for many truth-in-taxation activities. Although circumstances may require an appraisal district or a taxing unit to alter the timetable, **Exhibit 2** sets out the framework for the required activities.

EXHIBIT 2  
2011 Truth-in-Taxation Calendar

Date	Activity
<b>April 1 – May 1</b>	The chief appraiser sends notices of appraised value.
<b>April 30*</b>	The chief appraiser prepares and certifies to the tax assessor an estimate of the taxable value of property in that taxing unit.
<b>July 20 (Aug. 31)</b>	The appraisal review board approves the appraisal records.
<b>July 25</b>	The chief appraiser certifies the approved appraisal roll to each taxing unit.
<b>Aug. 7</b>	A taxing unit publishes its notice of effective and rollback tax rates.
<b>August – September</b>	A taxing unit adopts its budget according to its fiscal year. After adopting the budget, the unit adopts a tax rate.
<b>Sept. 29</b>	A taxing unit must adopt its tax rate by this date or 60 days after the taxing unit receives the appraisal roll, whichever date is later.

\* Ordinarily this would be April 30, but because in 2011 April 30 falls on a Saturday, the deadline is extended until the following Monday.  
Source: Texas Comptroller of Public Accounts, 2011.

**Appendix 1** provides a more detailed schedule taxing entities can consult when planning their truth-in-taxation activities.

### Taxing Unit Calculations

Truth-in-taxation requires most taxing units to calculate two rates after receiving a certified appraisal roll from the chief appraiser — the effective tax rate and the rollback tax rate. The type of taxing unit determines which truth-in-taxation steps apply. Generally, the governing body must take the following actions:

- determine and publish the effective tax rate and the rollback tax rate;
- decide how much revenue it needs;
- calculate the tax rate required to raise the amount it needs;
- publish notices;
- hold hearings if the proposed tax rate will exceed the rollback rate or the effective tax rate, whichever is lower;
- adopt the tax rate; and
- if necessary, administer a rollback election.

The following discussion covers rate calculation and adoption of the tax rate in greater detail. **Chapter 6** discusses rollback elections.

Before proceeding, it should be noted that water districts generally do not come under provisions of the Tax Code, but instead are governed by the Water Code.<sup>3</sup> Water districts, however, must follow public hearing requirements on a proposed tax rate and publish a special hearing notice.<sup>4</sup>

<sup>3</sup> Water Code § 49.107(g) provides that Tax Code §§ 26.04, 26.05 and 26.07 do not apply to taxing units created under Water Code § 49.001 that levy and collect taxes under Water Code §§ 49.107 and 49.108. Other taxing entities exempt from these provisions of the Tax Code include those created under Texas Constitution Article III, §§ 52(b)(1) and (2) and Article XVI § 59; navigation districts or port authorities created under general or special law; and any conservation or reclamation districts created by Revised Civil Statutes Annotated Article 8280-141, (Vernon Supp. 1951).

<sup>4</sup> Water Code § 49.236.

### Step 1: Calculate and publish required rates

All taxing units, other than water districts, that levied property taxes in 2010 and intend to levy them in 2011 must calculate an effective tax rate and a rollback tax rate. All taxing units, other than water districts and small taxing units, that levy a tax in 2011, must publish an effective tax rate and a rollback tax rate.

By Aug. 7, or as soon thereafter as practicable, the designated officer or employee who calculates these two rates submits them to the unit's governing body and publishes them. The rates are published along with a statement of tax increase or decrease and other special schedules about fund balances, debt, sales tax, transferring a function and indigent health care. These schedules may vary, depending on the type and size of the taxing unit.

Most taxing units publish them in a newspaper in a form set out by the Comptroller's office, or they may mail these calculations to each property owner. Small taxing units do not have to publish the two rates, but include information on their simplified notice.

Although the actual calculation can become more complicated, a taxing unit's effective tax rate is a calculated rate generally equal to the last year's taxes divided by the current taxable value of properties that were also on the tax roll last year. The resulting tax rate, used for comparison only, shows the relation between the last year's revenue and the current year's values.

A unit's rollback tax rate is a calculated rate that divides the overall property taxes into two categories — maintenance and operations (M&O) and debt service, also called interest and sinking (I&S). This manual will refer to it as the debt service. Rollback rate calculations allow units to raise the same amount of M&O money raised in the last year, plus an 8 percent increase.

For all taxing units, the debt service portion of the rollback tax rate is the current year's debt payments divided by the current year's property values. The debt service tax rate may rise as high as necessary to cover debt expenses. The overall rollback rate calculation is explained in greater detail in **Chapter 3**.

Except for small taxing units and water districts, taxing units must publish notices and hold hearings if a proposed tax rate will exceed the lower of the rollback rate or the effective rate.

Once a taxing unit, other than a small taxing unit or water district, has determined its effective tax rate and its rollback rate, it must publish them in a specific legal form. **Chapter 5** discusses the publication requirements. If a taxing unit fails to calculate or publish the required rates and notices properly, a property owner in the unit may seek an injunction to prohibit the unit from adopting a tax rate. The district court may issue the injunction if it finds that the unit's failure to comply was not in good faith.

### New taxing units

A taxing unit that did not levy property taxes in 2010 is not required to comply with truth-in-taxation laws in 2011. The Comptroller's office recommends that a new unit consider publishing similar notices and holding a public hearing to inform taxpayers of its intention to levy a property tax. **Chapter 4** discusses the additional sales tax.

### Consolidation of two or more taxing units

A taxing unit that was two or more taxing units in the last year handles the effective and rollback rate calculations differently. The consolidated unit combines the previous year's taxes for each unit and divides them by the total values for the current year for the new consolidated unit.

First, the previous year's taxes must be calculated for each unit in lines 1-15 of the *Effective Tax Rate Worksheet* (**Appendix 2**). Then, the previous year's taxes must be combined on line 15 for each unit to obtain the previous year's total taxes. For lines 26-28 of the *Rollback Tax Rate Worksheet* (**Appendix 3**), calculate the M&O taxes for the preceding year for each unit and combine the M&O taxes for each unit to obtain the previous year's total M&O taxes on line 28H. The remaining calculation steps are the same for the consolidated unit's current values and current debt.

### Small taxing units

Small taxing units may use a simplified tax rate notice process.<sup>5</sup> A small taxing unit is one that proposes a tax rate for the current year that is 50 cents or less per \$100 of taxable value and would impose taxes of \$500,000 or less from the current total value for the unit.

Small taxing units use a simplified notice process and should proceed to **Step 7**.

<sup>5</sup> Tax Code § 26.052.

## Step 2: Draft a budget and decide how much tax to levy

The taxing unit must identify its needs and draft a budget to meet those needs. To assist the taxing unit in this process, the chief appraiser prepares and certifies to the tax assessor, by April 30 (unless a weekend or holiday<sup>6</sup>), an estimate of the taxable value of property in that taxing unit. The taxing unit must decide how much property taxes are necessary to fund that budget and, based on current year's values, what M&O rate is necessary for the general operating expenses. The taxing unit must also determine what its payments for debt service will be.

The taxing unit's governing body is now at a critical point in the truth-in-taxation process. It must determine the amount of surplus funds, if any, it plans to expend to reduce its M&O or debt levies. It must determine the final amount of property taxes needed for the budget. Certain proposed rates will trigger certain steps in adopting the final tax rate.

Truth-in-taxation laws, except for water districts, explicitly address the debt service rate component of a taxing unit's overall tax rate. For most taxing units, the adopted debt service rate must equal the debt service rate published.<sup>7</sup> If the unit levies an additional sales tax, the debt service component of its rate cannot exceed the debt service rate that would levy the amount of debt payments published in the unit's calculations, less any sales tax revenue that will be used to pay debt.

A taxing unit's governing body must follow Legislative guidelines for proposing and adopting a tax rate. If the tax rate proposed by the governing body exceeds the effective tax rate or rollback rate, whichever is lower, they must publish a public hearing notice (**Appendix 10**), post a website notice and hold two public hearings. If they do not exceed these rates, they may adopt the tax rate by following **Step 9**. Otherwise, for a tax increase, the taxing unit should proceed to **Step 3**.

The Local Government Code requires cities and counties that are proposing budgets that raise more property tax revenue than the preceding year's budget to include the amount of the increase in large type on the cover page of the budget. That page must also state the amount to be raised from taxes on new properties. The public notice of the budget hearing

must contain this information as well. The proposed budget must be posted on the unit's website. In order to adopt the budget, the governing body must take a vote on the budget separately from its vote on the tax increase and its vote on the tax rate. The Comptroller's Local Government Assistance & Economic Development Division can assist cities and counties with budget adoption procedures. They can be reached at 1-800-531-5441, ext. 3-4679.

Small taxing units proceed to **Step 7**. Water districts go to **Step 8**.

## Step 3: Vote by governing body to propose a tax increase

When a proposed rate exceeds the rollback rate or the effective rate, whichever is lower, the taxing unit's governing body, other than a small taxing unit or a water district, must vote to place a proposal to adopt the rate on the agenda of a future meeting as an action item. This vote must be recorded. The proposal must specify the desired rate. A unit cannot vote to adopt a proposal to increase taxes by an unspecified amount.

If the motion passes, the governing body must schedule two public hearings on the proposal. These hearings must take place within the boundaries of the unit; on a weekday that is not a holiday; and in a public building or, if a public building is not available, in a building normally open to the public. The second hearing may not be held earlier than the third day after the date of the first hearing.

## Step 4: Publish first quarter-page notice

After proposing a tax increase and scheduling the two public hearings, the governing body must notify the public of the dates, times and place or places for these hearings and provide information about the proposed tax rate at least seven days before the public hearings. The law establishes specific requirements for this, which are contained in the Comptroller's model form *Notice of Public Hearing on Tax Increase* (**Appendix 10**).

The taxing unit also will post notice of these hearings on its website, if it has one. A taxing unit is required to post specific language on the website that it operates at least seven days before the first public hearing. This notice will stay on the website until the second public hearing concludes. If the unit has free access to a television channel, it will publish the

<sup>6</sup> Tax Code § 1.06.

<sup>7</sup> Tax Code 26.05(a)(1).

notice as a 60-second notice. **Chapter 5** discusses publication requirements.

### **Step 5: Hold two public hearings**

After publishing the first required notice, the taxing unit must hold two public hearings. A quorum of the governing body must be present at both hearings. Taxpayers must have the opportunity to express their views on the increase at each hearing. The governing body **may not** adopt the tax rate at either of these hearings. At each hearing, the governing body must announce the date, time and place of the meeting at which it will vote on the tax rate.

The governing body must follow a strict timetable once it holds these public hearings. The meeting to vote on the tax rate must take place no less than three days and no more than 14 days after the second public hearing. Like the public hearings, the meeting to vote must take place in a public building inside the unit's boundaries. Unlike the public hearings, the meeting to vote on the tax rate can take place on any day, including a holiday.

### **Step 6: Publish second quarter-page notice**

After the public hearings and before the meeting scheduled for the vote, the governing body must publish a second quarter-page notice entitled *Notice of Tax Revenue Increase* (**Appendix 11**). The taxing unit also will post this notice on its website if it has one. A taxing unit must follow the wording and posting requirements regarding website postings. If the unit has free access to a television channel, it will publish this notice as a 60-second notice.

### **Step 7: Small taxing unit adopts a tax rate**

A small taxing unit may provide public notice of the proposed tax rate in one of two ways. The unit may mail a notice of the proposed rate to each property owner in the unit or may publish a notice of the proposed rate in the legal section of a newspaper having general circulation in the unit (**Appendix 12**).

The unit must do either notice seven days before the date on which it will adopt the proposed tax rate and the notice must contain the proposed tax rate and the date, time and location of the meeting at which the governing body will consider adopting the proposed tax rate. If the proposed tax rate exceeds the unit's effective tax rate, the notices must also include the following statement: "The proposed tax rate would

increase total taxes in (name of taxing unit) by (percentage by which the proposed tax rate exceeds the effective tax rate)."

A small taxing unit that publicizes its tax rate in either of these methods is also exempt from publishing two quarter-page ads when a taxing unit proposes a tax rate that exceeds the rollback rate or the effective rate, whichever is lower, and from a taxpayer seeking an injunction to keep it from collecting taxes.

A small taxing unit, however, that uses the simplified notice provisions may not adopt a tax rate that exceeds the proposed tax rate set out in its notice unless the taxing unit provides an additional public notice of the higher tax rate or complies with the required Tax Code provisions for adopting the higher rate. Small taxing units then should follow the general rules in **Step 9** for the formal action of adopting a tax rate at the publicized public meeting.

### **Step 8: Adopt a water district's tax rate**

While other taxing units are required to follow provisions of the Tax Code, water districts must follow notice and hearing provisions in the Water Code. Some provisions in the Water Code regarding for a rollback election, however, refer to Tax Code § 26.07.

A water district's board of directors must publish the public hearing notice at least seven days before the hearing date or may mail it to each property owner at least 10 days before the hearing date. The quarter-page *Notice of Public Hearing on Tax Rate* includes a comparison of property tax rates and a comparison of property taxes on the average residence homestead. The notice also includes a statement about the taxpayers' right to a rollback election.

The rollback tax rate is the highest rate the water district may adopt without qualified voters petitioning for a rollback election. The rollback rate is the current year's debt service and contract tax rates, plus the M&O rate that would impose no more than 1.08 times the amount of M&O tax imposed by the water district in the preceding year on the average appraised value of a residence homestead in the water district.<sup>8</sup> The average appraised value disregards any homestead exemption available only to people with disabilities or those 65 years of age or older. **Appendix 6** provides a sample worksheet to calculate the rollback tax rate for water districts.

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<sup>8</sup> Water Code § 49.236(d).

**Chapter 5** explains the notice requirements. Water districts then hold the publicized meeting to adopt the tax rate. **Step 9** provides the procedures to follow in adopting the tax rate.

### **Step 9: Adopt the tax rate in a public meeting**

The following general rules apply to the formal tax rate adoption. If the taxing unit — other than a small taxing unit or a water district — proposes a tax rate that exceeds the rollback rate or the effective rate, whichever is lower, it must follow **Step 3** through **Step 6**. Once the taxing unit publishes the second notice announcing the date, time and location of the meeting to vote on the tax rate, it must follow the provisions below to adopt the tax rate at that meeting.

The Tax Code requires that the governing body adopt the tax rate no less than three days but no more than 14 days after the second public hearing. If the taxing unit does not adopt during this time period, then it must republish the second notice of the meeting to adopt the tax rate, with the new date, time and location to adopt the rate.<sup>9</sup>

Please keep in mind that in addition to the following procedures, small taxing units may follow **Step 7** and water districts **Step 8**.

### **Open meetings notices**

The taxing unit must post notice of the meeting in compliance with the open-meetings law.<sup>10</sup> The meeting must be open to the public.

### **Agenda item**

Adoption of the tax rate must be a separate item on the agenda for the meeting. State law requires that most counties and general law cities adopt a budget before they adopt the tax rate.<sup>11</sup> These units may adopt a budget and a tax rate at the same meeting as long as the budget is adopted first as a separate item. Counties with a population of more than 225,000 are not required to adopt the budget before adopting a tax rate. Other taxing units should refer to its enabling legislation for specific guidance.

### **Official action**

A taxing unit's governing body must adopt a tax rate by official action and set it out in a written resolution, ordinance

or order. General Law cities should phrase the action as an ordinance. Home rule cities should phrase the action as an ordinance unless the charter provides otherwise. Counties should set out the tax rate in an order.

The Tax Code sets out specific wording for this resolution, ordinance or order. The wording for an ordinance, resolution or order must indicate an increase in the tax rate, and give the percentage increase the proposed rate is above the effective tax rate. The percentage increase must also be included on the home page of the unit's website.

Each type of taxing unit needs to refer to its enabling legislation to determine the proper form for the official adoption of a tax rate. Taxing units, other than water districts, that adopt a rate above the effective tax rate must use special language in making the motion to adopt the rate (**Appendix 15**). In the order, ordinance or resolution the taxing units must use larger type, include an example of the tax increase on a \$100,000 home and state that the adopted tax rate will raise more taxes for M&O.

Governing bodies with questions regarding the correct methods and phrasing of an ordinance, resolution or order to adopt a tax rate should discuss these questions with their legal counsel.

### **Two-part rate**

A taxing unit authorized to pay both M&O and debt service with property taxes must adopt its rate as two separate components — one rate for M&O and one rate for debt service.

For most taxing units, the debt service component of the adopted tax rate must equal the calculated and published debt service rate that appeared in the rollback tax rate calculation and required notices.

A county may have several tax rates, depending on the kinds of taxes it levies. Each of these rates should be broken down into M&O and debt service components.

A taxing unit may adopt a final M&O rate that is lower than the proposed M&O rate. To adopt a higher M&O rate than proposed, the taxing unit would exceed the published increase percent. Taxpayers have the right to notice and the right to be present at a hearing about a proposed increase. A taxing unit wishing to adopt a higher M&O rate than proposed is advised

<sup>9</sup> Tax Code 26.06(e)

<sup>10</sup> Government Code Chapter 551.

<sup>11</sup> Local Government Code §§ 111.007-111.010 and 102.006-102.009, and Education Code §44.004.



to repeat the notice and hearing process to give taxpayers the opportunity to hear and comment about a higher tax increase.

### Deadline to adopt rate

Other than a water district, a taxing unit must adopt its tax rate before Sept. 30 or by the 60th day after the taxing unit receives the certified appraisal roll, whichever date is later.<sup>12</sup>

If a taxing unit misses the deadline, the governing body must ratify either the effective tax rate or last year's rate, whichever is lower, as the adopted rate before the fifth day after establishing that tax rate.

### County quorum

At least four members of the county commissioners court must be present for a county to adopt a tax rate; at least three must vote for the rate. The county judge is considered a member for this purpose.

### Rate limitations for counties

A county rate may be composed of as many as three individual rates for a total rate not to exceed \$1.25 per \$100 of value. Not all counties levy all three taxes. The Texas Constitution sets the following rate limits:

- 30 cents per \$100 for farm-to-market roads or flood control;<sup>13</sup>
- 80 cents per \$100 for general fund, permanent improvement fund, road and bridge fund and jury fund;<sup>14</sup> and
- 15 cents per \$100 for the maintenance of public roads, which is commonly referred to as the special road and bridge fund.<sup>15</sup>

### Municipal school district and its city

A municipal school district follows the city boundaries where it is located. The municipal school district board and the city council must jointly hold any hearing required by law for adopting the school's annual budget and property tax rate.

Adopting the school budget and the school tax rate requires an affirmative vote of a majority of the school board members present and voting and at least three-quarters of the total of the voting school board members and city council members that are present and voting. If a quorum of the city council is not present at the hearing to adopt the budget and tax rate, then the school board may adopt the budget and tax rate without regard to votes from the city council members.

### Emergency services district

The maximum tax rate that an emergency services district may adopt will depend on what its voters approved. If the voters approved the district as a rural fire prevention district with a tax rate limit of 3 cents per \$100, and the fire district converted to an emergency services district, it must comply with the maximum rate limit voters originally approved for the rural fire prevention district. To increase the maximum rate limit to 10 cents per \$100 authorized by the Texas Constitution, the emergency services district must take that increase to the district voters to approve increasing the maximum rate.

### Failure to comply

If the taxing unit's governing body fails to comply with the hearing, notice or rate adopting process in good faith, a property owner in the unit may seek an injunction to stop the unit from sending tax bills until the unit convinces the district court that it has complied with the law. A property owner must act to enjoin collections before the taxing unit delivers substantially all of its tax bills. This injunction process does not apply to water districts or small taxing units.

### Step 10: Administer a rollback election, if necessary

If a taxing unit adopts a tax rate that exceeds the rollback rate, voters in the unit may petition for an election on the tax increase. Chapter 6 provides information about administering a rollback election.

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<sup>12</sup> Tax Code § 26.05(a).

<sup>13</sup> Texas Constitution Article VIII, § 1-a.

<sup>14</sup> Texas Constitution Article VIII, § 9(a).

<sup>15</sup> Texas Constitution Article VIII, § 9(c).



## CHAPTER 2:

# The Effective Tax Rate

The effective tax rate enables the public to evaluate the relationship between taxes for the preceding year and for the current year, based on a tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years.

The calculation process starts after the chief appraiser delivers to the taxing unit the certified appraisal roll and the estimated values of properties under protest. The unit's tax assessor-collector determines the following information:

- the total appraised and taxable value of property in the unit;
- the total appraised and taxable value of new improvements; and
- the total taxable value of property annexed since the preceding year.

The tax assessor submits all of this information to the governing body. The governing body designates an officer or employee (often the tax assessor-collector, but not necessarily) to calculate the effective tax rate and the rollback tax rate.

## Calculating the Effective Tax Rate

Calculating the effective tax rate requires the last year's taxes and the current year's taxable value for property taxed in both years. Dividing the taxes by the value (and multiplying by 100 to convert to a rate per \$100 of value) produces the effective tax rate, as illustrated in **Exhibit 3**.

In practice, the calculation is slightly more complicated. The worksheets in **Appendix 2** provide step-by-step details of these calculations. What follows is a general summary.

## Last Year's Taxes Less Taxes on Property Lost This Year

To calculate a 2011 effective tax rate, a taxing unit must first determine its total 2010 taxes. The effective and rollback rate calculations begin with the total taxes and values for the last year at the time of the rate calculations. These totals include all supplements and corrections that have occurred to the tax roll since the last year's certification and tax rate adoption. However, some corrections ordered prior to the date the taxes become delinquent are generally not included in these adjusted total taxes and values.<sup>16</sup>

These corrections are for late appraisal roll changes ordered by the appraisal review board (ARB) to correct one-third over-appraisal errors. Taxpayers may file for such corrections before taxes on the property become delinquent. Typically, taxpayers file for these corrections after receiving their tax bills. Some taxing units with substantial amounts of value reductions through these corrections experience revenue losses in that budget year. To include these changes in the adjusted total taxes and values in calculating the effective and rollback tax rates for the current year would result in lower effective and rollback rates for the taxing unit. The appraisal district

### EXHIBIT 3 Calculating the Effective Tax Rate

$$\begin{array}{ccccccc} \text{Prior Year's Taxes} & & & & & & \\ \hline & \text{less} & & & & & \\ \hline \text{Taxes on Property} & & \div & \text{Current Value of} & & & \text{Effective} \\ \text{Lost this Year} & & & \text{Property Taxed} & \times & \$100 & \text{Tax Rate} \\ & & & \text{in the Prior Year} & & = & \end{array}$$

Source: Texas Comptroller of Public Accounts, 2011.

<sup>16</sup> These include corrections made under Tax Code § 25.25(d).

should assist the taxing unit in identifying supplements and corrections for the last year.

Taxing units also may be required to refund taxes for tax years previous to the last year. Units include the refunded debt taxes in “last year’s debt levy” and total refunded taxes in “last year’s levy.” Taxing units include all types of refunds for years before the prior year — court decisions, corrections and payment errors — for tax years preceding tax year 2010.

For example, in 2011 a district court approved reducing a property owner’s 2008, 2009 and 2010 taxable values, resulting in three years of tax refunds from the 2010 property taxes. The taxing unit includes the taxes refunded for 2008 and 2009. Taxes refunded for the 2010 tax year are not included. A second example is a taxing unit that refunded part of a 2006 payment for a clerical error. The taxing unit includes the refunded tax amount in the total 2010 taxes.

Any 2010 court-ordered refunds must be included as a separate step in the rate calculation. A taxing unit may increase the last tax year’s taxes to reflect lost taxes in the last tax year because a court overruled an ARB decision with a lower taxable value.

The result of including these refunds in last year’s levy is higher effective and rollback rates for taxing units. These higher rates give taxing units the ability to recapture revenue removed from last year’s taxes to return money to taxpayers. The tax collector has information about refunds.

Truth-in-taxation laws also require the taxing unit to reduce last year’s total taxes for the amount of “lost property levy.” This is the amount of taxes on property value that was taxable in the preceding year but is not taxable in the current year. Property value not taxed in the current year may have been deannexed by the unit, received a new exemption or qualified for special appraisal in the current year. The appraisal district has value information on these properties.

Property that first qualified for a new exemption does not include freeport property or “goods-in-transit” property.<sup>17</sup>

If a taxing unit adopted the tax ceiling provision in 2010 or a prior year for homeowners’ aged 65 or older or disabled, the tax assessor adjusts last year’s value by subtracting the value of homesteads with tax ceilings.

Subtracting the value lost because of the changes described above, results in the taxing unit’s adjusted 2010 taxes.

### Current Value of Property Taxed in the Last Year

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Before calculating its effective rate, a taxing unit must also adjust the 2011 values. The taxing unit begins with the total taxable value on the 2011 certified appraisal roll and adds the value of properties still under protest or known, but not appraised for 2011. The unit then subtracts the value of new property — property annexed since Jan. 1, 2010, and improvements new to the 2011 tax roll. The result is the 2011 taxable values adjusted to include only the property that was taxed in both 2010 and 2011.

If a taxing unit adopted the tax ceiling provision in 2010 or a prior year, the tax assessor-collector adjusts its 2011 values by subtracting the 2011 values of homesteads with tax ceilings. The homesteads with tax ceilings are for both the homeowners age 65 or older or disabled.

A taxing unit also excludes the taxable value of property exempted for the current tax year for the first time as pollution control property. Since the taxable value of exempt property is zero, such an interpretation would not affect the current total value. Legislative intent appears to require some adjustment. Taxing units that wish to exclude the market value of this exempt property should consult with their attorney.

### Properties under protest

If a property’s value is under protest when the taxing unit receives the certified appraisal roll, the chief appraiser submits both the appraisal district and the taxpayer’s estimated values. In calculating the effective and rollback tax rates, the taxing unit uses the lower taxable value.

If the property owner did not estimate a value, the chief appraiser must estimate the outcome of the ARB appeal. The following two rules govern this estimate:

- If this year’s appraised value is the same or less than last year’s, the chief appraiser estimates the value that would be assigned if the property owner wins.
- If this year’s value is greater than last year’s, the chief appraiser uses last year’s value; however, if it’s likely that the

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<sup>17</sup> Tax Code § 26.012(15).



ARB will reduce the value, the chief appraiser should estimate the ARB value.

### **Properties not included at certification**

The chief appraiser must give taxing units a list of taxable properties that the chief appraiser knows about but are not included at the time the chief appraiser certifies the appraisal roll. These properties also are not on the list of properties that are still under protest.

On this list of properties, the chief appraiser includes the market value, appraised value and exemptions for the preceding year and a reasonable estimate of the market value, appraised value and exemptions for the current year.

A taxing unit's tax assessor must use the lower market, appraised or taxable value (as appropriate) for computing the taxing unit's effective and rollback tax rates.

### **New property value**

New property value will generate new revenue for a taxing unit. It helps to offset property value losses for new exemptions and special appraisals granted for the first time in the current year. The taxing unit will deduct new property value from the 2011 appraised values in the effective tax rate calculation.

The chief appraiser will supply the value of real and personal property new to the 2011 appraisal roll. For real property, new value includes additions to existing improvements (such as a garage) or new separate structures added to a property containing existing improvements (such as a company expansion) made after Jan. 1, 2010. Only the value of the individual new improvement is new value. The increased value on any existing structures is not new value.

For personal property, new value includes only the personal property that is located in a new improvement and that entered the taxing unit after Jan. 1, 2010.

New property value will also include property value in the current year that was previously exempt under an abatement agreement. The amount includes the value of a property that had a portion of its value excluded because of a tax abatement agreement for all or a part of the property, less the value of the property included last year. New property value for tax abatements applies to agreements that are expiring and

to agreements that have a declining percentage or amount of exemption each year.

Certain taxing units may include as new property value changes that increased a property's land value from the preceding year. In calculating the effective and rollback tax rates, the taxing units include as new property value from the preceding year the value added because the land was subdivided by plat; had water, sewer or drainage lines installed; or had paving of undeveloped land. The property's current year value would be increased for these changes and that added value would be considered new for the rate calculation.

<sup>18</sup> This does not include new taxable value subject to limitation agreements under the Tax Increment Financing Act.<sup>19</sup>

### **Taxing units participating in tax increment financing (TIF)**

A taxing unit excludes the taxes paid into a TIF and also excludes the portion of the captured appraised value that corresponds to the TIF payment in calculating both the effective and rollback rates.

The captured appraised value is the difference in value between the current appraised value and the base appraised value. The base appraised value is the value that existed at the time the TIF was created. The taxes on the base appraised value remain with the taxing unit. Only the portion of the captured appraised value that corresponds to the portion of the tax increment paid into the tax increment fund may be excluded in the rate calculations.

If a taxing unit does not have TIF captured appraised value in the current year to exclude from the effective and rollback rate calculations, then it does not have any TIF taxes to exclude in those calculations. This provision addresses the situation when the taxable values in a TIF decline, rather than continue to increase.

The TIF captured appraised value to be deducted in the effective and rollback calculations do not include any value that was included as new property value in the calculations. This provision prevents a taxing unit from including the same value in two different deductions in the calculations.

<sup>18</sup> This provision applies only to taxing units created under Texas Constitution Article III, § 52 or Article XVI, § 59.

<sup>19</sup> Tax Code Chapter 311.

## The Calculation

Dividing the adjusted 2010 taxes by the adjusted 2011 taxable values and multiplying by \$100 produces the 2011 effective tax rate, as illustrated in **Exhibit 4**.

EXHIBIT 4						
Detailed Steps in Calculating the Effective Tax Rate						
2010 Taxes (on date of calculation)*			Total value on the 2011 certified appraisal roll			
+			+			
Taxes on 2010 values lowered in court decisions			Estimated value that will be placed on property under protest or not included in certification			
+			-			
Taxes refunded for tax years preceding tax year 2010			Value of property annexed after Jan. 1, 2010			
-			-			
Taxes on deannexed territory			Value of new improvements built after Jan. 1, 2010			
-			-			
Taxes on property value not taxable in 2011 because it received an exemption or special appraisal for the first time			Value of pollution control property exempted from the first time			
-			-			
Taxes paid to a TIF Fund**			Captured appraised value in a TIF Fund			
=			=			
<b>Adjusted 2010 Taxes</b>			<b>Adjusted 2011 Taxable Values</b>			
<b>Adjusted 2010 Taxes</b>	÷	<b>Adjusted 2011 Taxable Value</b>	x	\$100	=	Effective Tax Rate
* Do not include Tex. Tax Code §25.25(d) for one-third over-appraised errors.						
** Do not include TIF taxes if there is no TIF captured appraised value.						
Source: Texas Comptroller of Public Accounts, 2011.						



## CHAPTER 3:

## The Rollback Tax Rate

Calculating the rollback tax rate is more complicated than the effective tax rate calculation. The Legislature wanted to avoid injuring a taxing unit's ability to pay its debt service. Thus, the rollback rate calculation splits the rate into two separate components — a maintenance and operations (M&O) rate and a debt service rate. M&O includes such things as salaries, utilities and day-to-day operations. Debt service covers the interest and principal on bonds and other debt secured by property tax revenues.

Calculating an effective tax rate does not require the taxing unit to distinguish between M&O and debt service. The rollback tax rate, however, is the sum of M&O and debt service rates. In most cases, the rollback tax rate exceeds the effective tax rate. Occasionally, however, decreases in a taxing unit's debt service will create a situation where the effective rate might be higher than the rollback rate.

### Calculating the Rollback Tax Rate

The M&O portion of the rollback tax rate is the tax rate that would be needed to raise the amount the unit levied in the preceding year plus 8 percent. This portion of the rollback rate calculation is similar to the effective rate calculation.

The debt service rate portion is the tax rate necessary to pay the unit's debt payments in the coming year. This part of the calculation does not depend on the last year's debt taxes at all; it considers the amount the unit will need for the current year. The debt service portion of the overall rate may rise as high as necessary without triggering the threat of a rollback.

Water districts have a special calculation of a rollback tax rate discussed at the end of this chapter.

### M&O Component

To calculate the M&O rate, taxing units — other than water districts — begin with the adjusted 2010 total taxable value used to calculate the effective tax rate. They then multiply that adjusted taxable value by the 2010 M&O rate, divide it by \$100, arriving at the adjusted 2010 M&O taxes. Dividing the adjusted 2010 M&O taxes by the adjusted 2011 taxable value used to calculate the effective tax rate yields the effective 2011 M&O rate. **Exhibit 5** illustrates these steps.

### Special provisions

Some taxing units must perform special steps that allow it to adjust their rollback tax rates. Many of these adjustments provide for a higher rollback tax rate.

### County criminal justice mandate

Counties may increase their rollback rate to replace funds spent to house prisoners sentenced to state correctional facilities. The amount spent by a county includes the cost during the previous 12 months to keep inmates in county-paid facilities after they have been sentenced to a Texas Department of Criminal Justice facility.

The county auditor certifies the amount, based on information provided by the county sheriff, minus any amount received from the state for reimbursement. If the amount is the same or less, the county does not adjust the M&O rate.

## EXHIBIT 5

#### Calculating the M&O Limit of the Rollback Tax Rate

(Adjusted 2010 Value x 2010 M&O Rate)

\_\_\_\_\_ divided by \_\_\_\_\_

Adjusted 2011 Taxable Values

x \$100 x 1.08 = M&O Portion of Rollback Rate

Source: Texas Comptroller of Public Accounts, 2011.

The county continues to use the same 12-month period in subsequent years. The county must publish a special notice about the county criminal justice mandate — *Schedule D*, discussed in **Chapter 5**.

Currently, the state pays for most state prisoner expenses, so only a few counties should be paying an increased amount to take care of them. Thus, most counties should show \$0 in the calculation and in *Schedule D*. For more information on this mandate, call the Texas Commission on Jail Standards at (512) 463-5505.

### TIF

A taxing unit excludes the taxes paid into a TIF and also excludes the captured appraised value that corresponds to the TIF payment in calculating the rollback rate. The captured appraised value is the difference in value between the current appraised value and the base appraised value. The base appraised value is the value that existed at the time the TIF was created. The taxes on the base appraised value remain with the taxing unit. Only the portion of the captured appraised value that corresponds to the portion of the tax increment paid into the tax increment fund may be excluded in the rollback rate calculation.

If a taxing unit does not have any TIF captured-appraised value in the current year to exclude from the effective and rollback rate calculations, then it does not have any tax increment from the last year to exclude in those calculations. This provision applies when the taxable values in a TIF decline, rather than continue to increase.

The TIF captured appraised value, to be deducted in the effective and rollback calculations, does not include any value that was also included in the new property value step of the calculations. This provision prevents a taxing unit from including the same value in two different deductions in the calculations.

### Taxing units transferring a function

If a taxing unit discontinues all of a department, function or activity and transfers it to another unit by written contract, the two units must adjust their M&O rates for the transfer. The unit discontinuing the function subtracts the amount spent for the function in the 12 months preceding the month of the rollback rate calculation. If the unit did not operate this function for this 12-month period, the discontinuing unit uses the amount spent in the last full fiscal year in which the unit

operated the function. The unit receiving the function adds this amount to the rollback rate for the function's expenses.

Tax collections contracts are not subject to this provision since the original taxing unit never fully transfers and discontinues operating its collections function. The taxing unit publishes a special notice about the transferred function—*Schedule E*, discussed in **Chapter 5**.

### Additional rollback protection for pollution control

Any taxing unit may increase its rollback rate by the rate that generates the amount of funds the unit spends for pollution control property, divided by the unit's current total value. Lines 49 – 52 of the *Rollback Tax Rate Worksheet* in **Appendix 5** provide the information needed for calculating the additional rate to add to the rollback rate. The additional rate is added to the unit's rollback rate.

The Legislature provided this additional protection to allow a taxing unit to raise its rate for maintenance and operation funds used to pay for a facility, device or method for the control of air, water or land pollution.<sup>20</sup> The unit's expenses are those necessary to meet the requirements of a permit issued by the Texas Commission on Environmental Quality (TCEQ).

The taxing unit must provide its tax assessor with a copy of a required letter from TCEQ. The tax assessor must accept the copy stating the cost of the pollution control property as conclusive evidence and shall adjust the rollback tax rate. Taxing units should check for rules regarding this process by calling TCEQ's Air Quality Division at (512) 239-6348.

### Additional rollback protection for enhanced indigent health care expenditures

A taxing unit may increase its rollback rate to generate funds the unit will spend for enhanced indigent health care expenses. Line 28F of the *Rollback Tax Rate Worksheet* provides for calculating the increased amount for these expenditures above the preceding year, less the amount of any state assistance.

A taxing unit may increase its effective M&O rate to reflect these enhanced indigent health care expenditures.<sup>21</sup> The enhanced expenditures are defined as the amount spent by the taxing unit for M&O costs of providing indigent health care

<sup>20</sup> Tax Code § 26.045.

<sup>21</sup> Tax Code § 26.0441.

at the increased minimum eligibility standards.<sup>22</sup> The unit deducts any state assistance received for these expenses.

For calculating the effective M&O rate for tax year 2011, a unit's enhanced indigent health care expenditures for the preceding 2010 tax year are computed using the unit's expenditures for the increased standards from July 1, 2009, through June 30, 2010. The unit subtracts this amount and the amount of any state assistance from the enhanced expenditures for the current year (July 1, 2010, through June 30, 2011). Any remaining amount is the increased amount for the current year.

The taxing unit must publish a special notice about the enhanced indigent health care expenditures, as discussed in **Chapter 5**.

## Debt Component

The debt service portion of the rollback rate differs entirely from the M&O portion. The debt service rate is the tax rate necessary to pay the unit's debt payments in the coming year. This part of the calculation does not depend on the last year's debt taxes; it simply concerns what the unit will actually need for the current year.

The debt service component also does not use the adjusted 2011 taxable value (the current value of properties taxed in the last year). Instead, it uses the 2011 taxable value (the current value of all properties) in the lower part of the formula less the 2011 taxable values of homesteads with tax ceilings; less the appropriate portion of any TIF captured appraised value.

### Debt payments

The top half of the formula concerns the actual debt payments required for the 2011-12 fiscal year, not the last fiscal year's debt. Remember that these are debt payments that 2011 property taxes will pay. A taxing unit that pays debt with other funds should not include those payments in the calculation.

Certain types of taxing units may increase their current debt service tax rate to pay for debts that the units anticipate incurring in the next calendar year. These units will include these payments in their published schedule of debt payments, Schedule B discussed in **Chapter 5**.<sup>23</sup>

<sup>22</sup> Health and Safety Code § 61.006.

<sup>23</sup> These taxing units are created in Texas Constitution Article III, § 52 or Article XVI, § 59.

Adjustments to the 2011 debt service are for excess collections from the previous year and anticipated collection rate for the current year. The taxing unit subtracts the amount of 2010 excess debt tax collections from the current year's debt payments and divides the resulting figure by the anticipated 2011 collection rate. The unit's tax collector will certify these excess debt tax collections and the anticipated collection rate. The following section on anticipated and excess collections tells the tax collector how to calculate these figures.

### Anticipated and excess debt collections

A taxing unit that levies a debt service tax must consider anticipated collections in calculating the debt service component of its rollback tax rate. The collector for such a unit must certify, to the governing body, the estimated debt collection rate for 2011 and the excess debt tax collections for 2010.

#### Estimated debt collection rate for 2011

To find the estimated collection rate, the collector must first estimate the unit's total debt collections from July 1, 2011, through June 30, 2012. This estimate equals the total tax dollars that will be collected for current debt taxes, delinquent taxes, special appraisal rollback taxes, penalties and interest. The collector will not know the precise amount until this collection period is completed. Truth-in-taxation laws, however, require the collector's estimate. The collector will compare this amount to what the unit plans to levy for paying debt service in the 2011-2012 fiscal year.

Dividing the estimated collections by the required debt payments gives the estimated collection rate. For example, the collector projects the unit will take in \$950,000 in debt revenues before July 1 of next year. The unit's budget calls for it to levy \$1 million in debt service taxes for 2011. The anticipated collection rate is \$950,000 divided by \$1 million, or 95 percent.

Using an anticipated collection rate of less than 100 percent in the calculations creates a higher debt levy.

If the collector's anticipated collection rate exceeds 100 percent, the collector would use 100 percent in the calculation. Delinquent taxes from prior years may generate more than a 100 percent rate.

#### Excess debt tax collections for 2010

The law also requires the collector to compare the amount of taxes actually collected in current taxes, delinquent taxes,

special appraisal rollback taxes, penalties and interest for debt in 2010 from July 1, 2010, through June 30, 2011. The collector compares this collected amount with the amount that the collector estimated to collect according to the 2010 anticipated collection rate. If the unit took in more debt tax dollars than should have been collected, the collector certifies the amount of excess debt tax collections to the governing body.

For example, last year the collector projected a 2010 collection rate of 95 percent and the governing body levied \$500,000 in 2010 debt service taxes. The anticipated debt tax collections for 2010 were \$475,000 (.95 x \$500,000). The collector determines whether the total amount of debt service taxes collected from July 1, 2010 through June 30, 2011, exceeds \$475,000 and determines the amount of any excess. If the unit collected \$485,000 in 2010 debt service taxes, the collector certifies excess debt tax collections of \$10,000. The taxing unit will subtract this \$10,000 from the 2011 debt payments to lower the 2011 debt service rate.

If the collector projected a 2010 collection rate of 100 percent and collected more than 100 percent, the collector may certify excess debt collections of 0.

Dividing the adjusted debt payments by the total 2011 taxable values, times \$100, gives the debt service portion of the rollback rate. **Exhibit 6** illustrates the debt service calculation.

## Total Rollback Tax Rate

Totaling the M&O rollback rate and the debt service rate gives the rollback tax rate.

## Water District Rollback Tax Rate

None of the provisions on calculating a rollback tax rate previously discussed apply to water districts.<sup>24</sup> The rollback tax rate is the highest rate the water district may adopt without qualified voters petitioning for a rollback election.

The rollback rate is the current year's debt service and contract tax rates plus the M&O rate that would impose no more than 1.08 times the amount of M&O tax imposed by the water district in the preceding year on the average appraised value of a residence homestead in the water district. The average appraised value disregards any homestead exemption available only to disabled persons or persons 65 years of age or older.

A sample worksheet for water districts to calculate a rollback tax rate is in **Appendix 6**.

### EXHIBIT 6 Calculating the Debt Service Portion of the Rollback Rate

$$\begin{array}{lcl}
 \frac{\text{(2011 debt payments – 2010 excess debt tax collections)}}{\text{2011 anticipated collection rate}} & = & \text{Adjusted 2011 debt} \\
 \downarrow & & \uparrow \\
 \frac{\text{Adjusted 2011 debt}}{\text{2011 total taxable values* – 2011 captured appraised value in a TIF fund}} & \times \quad \$100 & = \quad \text{2011 debt service rate}
 \end{array}$$

\* Counties, cities and junior college districts that adopted the tax ceiling provision exclude the total taxable value of the 2011 homesteads with tax ceilings for homeowners age 65 or older or disabled.  
Source: Texas Comptroller of Public Accounts, 2011.

<sup>24</sup> Water districts follow Water Code § 49.236(d) to calculate a rollback tax rate.





## CHAPTER 4:

# The Additional Sales Tax

Cities, counties and hospital districts may levy a sales tax specifically to reduce property taxes.

In each case, the taxing unit reduces its effective and rollback tax rates to offset the expected sales tax revenue. Tax Code provisions refer to the tax as the additional sales tax for the reduction of property taxes and this manual refers to the tax as the additional sales tax. For more information about imposing and administering the additional sales tax, call the Comptroller's Local Government Assistance & Economic Development Division at 1-800-531-5441, ext. 3-4679.

### Timing a Sales Tax Election

Local voters by election must approve imposing or abolishing the additional sales tax. Elections may be held on either of the two general election dates held in May or November.<sup>25</sup>

If the additional sales tax to reduce property taxes passes, the taxing unit may use the instructions in this manual to calculate the reduced effective and rollback tax rates.

Collecting the sales tax begins on Oct. 1 following the first full quarter after the taxing unit notifies the Comptroller's office of the election results. A taxing unit that held a successful election in November 2010 or held a successful election in May 2011 will adjust its 2011 rates.

### Impact on Effective and Rollback Tax Rates

A taxing unit that adopted the additional sales tax in November 2010 or in May 2011 must adjust both its effective and rollback tax rates. A taxing unit that adopted the tax in prior years, however, will adjust only its rollback rate.

#### Steps for First Year

A taxing unit that adopted the additional sales tax in November 2010 or in May 2011 makes a first-year adjustment to both the effective and the rollback tax rates. The taxing

unit computes an additional rate based on an estimate of sales tax revenue and subtracts that rate from the effective and rollback rates. The adjustment rate is called the sales tax gain rate. Taxing units can use the *Additional Sales Tax Rate Worksheet* in **Appendix 4** to calculate this rate.

#### The sales tax gain rate

To calculate a sales tax gain rate, the unit must first contact the Comptroller's office to obtain an estimate of the last four quarters' total dollar-volume of business activity subject to sales tax. It then multiplies that estimate by the adopted additional sales tax rate (usually .005), and multiplies that by 95 percent. By using 95 percent, the Legislature provided for a conservative amount to offset low first-year estimates of the total taxable sales. The unit then divides the sales tax estimate by total 2011 taxable values, as illustrated in **Exhibit 7**.

A county excludes the amount of sales tax revenue that is or will be distributed by the county for economic development grants.<sup>26</sup> The county subtracts this amount from the total estimated sales tax revenue in the first-year rate calculations. Subtracting the sales tax gain rate from the effective tax rate and the rollback rate adjusts those rates for the anticipated additional sales tax, as shown in **Exhibit 8**.

#### Steps for Following Years

Once a taxing unit has collected the additional sales tax for a year, its property tax revenues will reflect any rate reduction arising from the additional sales tax. As a result, calculating the effective tax rate will not require an adjustment for the additional sales tax. Follow the steps described in **Chapter 2** for calculating the effective tax rate.

Calculating the rollback rate after the first year, however, uses the last year's sales tax revenue in calculating the M&O component of the rollback rate. The unit also subtracts a sales tax adjustment rate. The resulting calculation includes three components, as shown in **Exhibit 9**.

<sup>25</sup> Election Code § 41.001.

<sup>26</sup> Tax Code § 26.041(i); Development grants are created and authorized by Local Government Code Chapter 381.

EXHIBIT 7  
**Calculating the Sales Tax Gain Rate**

$$\frac{(\text{Estimated Taxable Sales} \times \text{Additional Sales Tax Rate} \times .95)}{2011 \text{ Total Taxable Values}} \times \$100 = 2011 \text{ Sales Tax Gain Rate}$$

Source: Texas Comptroller of Public Accounts, 2011.

EXHIBIT 8  
**Adjusting for Sales Tax**

$$\text{Effective Tax Rate} - \text{Sales Tax Gain Rate} = \text{Adjusted Effective Tax Rate}$$

$$\text{Rollback Tax Rate} - \text{Sales Tax Gain Rate} = \text{Adjusted Rollback Tax Rate}$$

Source: Texas Comptroller of Public Accounts, 2011.

EXHIBIT 9  
**Calculating Rollback Rate for Second and Later Years**

$$\begin{array}{l} \text{Effective M\&O Rate} \\ \text{(Based on prior year's} \\ \text{M\&O property taxes} \\ \text{and sales tax revenue} \\ \text{spent for M\&O)} \end{array} \times 1.08 + \text{Current debt} \\ \text{service rate} - \text{Sales tax} \\ \text{adjustment rate} = \text{Rollback Rate}$$

Source: Texas Comptroller of Public Accounts, 2011.

The debt service component of the rollback rate is identical to that described earlier. See **Chapter 3** for a full explanation of the rollback tax rate. Use the *Additional Sales Tax Rate Worksheet* for these calculations.

### Sales tax in the M&O rate

To calculate the effective M&O rate, add the last year's sales tax revenue spent on M&O purposes to the adjusted M&O levy.

The last year's sales tax revenue is the amount from the first full year of sales tax revenue spent for M&O. This adjustment is necessary to properly account for sales tax revenue received in the preceding year. If this component were not added, the sales tax adjustment would not properly reflect the change in sales tax revenue from one year to the next.

A county excludes the amount of sales tax revenue that was distributed by the county for economic development grants.<sup>27</sup> The county subtracts this amount from the sales tax revenue spent in the calculation of the county's effective M&O rate.

<sup>27</sup> Tax Code § 26.041(i).

### Sales tax adjustment rate

After the first year, the sales tax adjustment rate is based on actual sales tax collections in the previous four quarters. As in the first year, the Comptroller's office supplies this amount on request. Unlike the first year, there is no 95-percent adjustment. To calculate the sales tax adjustment rate, the taxing unit must divide the additional sales tax revenue from the last four quarters by the total 2011 taxable values, as shown in **Exhibit 10**.

A taxing unit can get its historical summary of monthly local sales and use tax allocation payments by calling the Comptroller's Tax Allocation Section at 1-800-531-5441, ext. 3-4530 or on the Comptrollers' website at <https://ourcpa.cpa.state.tx.us/allocation/AllocDetail.jsp>.

## Changing the Additional Sales Tax Rate

If the taxing unit either increases or decreases the sales tax rate from last year, the unit must perform an additional step to determine the projected sales tax.



## EXHIBIT 10

**Calculating the Sales Tax Adjustment Rate for Second and Later Years**

$$\frac{\text{Sales Tax Revenue Last Four Quarters}}{\text{Total 2011 Taxable Values}} \div \text{Total 2011 Taxable Values} \times \$100 = \text{2011 Sales Tax Adjustment Rate}$$

Source: Texas Comptroller of Public Accounts, 2011.

## EXHIBIT 11

**Adjusting Effective Tax Rate after Abolishing Additional Sales Tax**

$$\frac{\text{Adjusted 2010 Tax Levy}}{\text{Adjusted 2011 Taxable Values}} + \text{Sales Tax Loss Rate} \times \$100 = \text{Adjusted Effective Tax Rate}$$

Source: Texas Comptroller of Public Accounts, 2011.

If the sales tax rate increased (for example, from \$0.0025 to \$0.005), the taxing unit must have two sales tax projections. The first projection uses the increased rate; the second projection does not. The difference between the two projections is the extra revenue generated by the rate increase. In the first year that the rate changed, the effective tax rate is the rate before the increase, less a rate for the extra revenue. To determine the revenue gain rate to subtract, divide the revenue gain by the current total property values (less new property value).

If the sales tax rate decreased (for example, from \$0.005 to \$0.0025), then the taxing unit has two sales tax projections — the first on the new decreased rate and the second on the old rate. The difference between the two projections is the revenue loss for the rate change. In the first year that the rate changed, the effective tax rate is the rate before the decrease, plus a rate for the revenue loss. To determine the revenue loss rate to add, divide the revenue loss by the current total property values (less new property value).

Taxing units should contact their attorney for special instructions on calculating the sales tax projection for the first year after a sales tax rate change.

**Abolishing the Additional Sales Tax**

If voters abolish the additional sales tax to reduce property taxes, the unit adjusts its effective tax rate upward by adding a sales tax loss rate. To calculate this rate, the unit divides sales tax revenues for the last four quarters by the current

year's property value. It then adds the result in calculating the effective tax rate, as shown in **Exhibit 11**.

To calculate the rollback rate, the unit includes the sales tax in the M&O rate but does not include the sales tax loss rate, as shown in **Exhibit 12**.

**Tax Bills and the Additional Sales Tax**

Taxing units that levy the additional sales tax must show on tax bills the amount of additional property taxes that the taxpayer would have paid had the additional sales tax not been adopted. The Comptroller's office recommends calculating this amount by applying the sales tax adjustment rate (Line 44 from the *Additional Sales Tax Rate Worksheet*) to each property's total taxable value.

**City Mass Transit Sales Tax**

In the tax year in which a city has set an election on the question of whether to impose a local sales and use for mass transit, it may not make effective and rollback calculations until the outcome of the election is determined. If the election is determined in favor of the imposition of the tax, the city must subtract from the city's rollback and effective tax rates the amount that, if applied to the city's current total value, would impose an amount equal to the amount of property taxes budgeted in the current tax year to pay for expenses related to mass transit services.<sup>28</sup>

A city must make a one-time adjustment to its effective and rollback tax rates in the year it elects to impose a transit tax.

<sup>28</sup> Tax Code § 26.043.

In general, instead of subtracting a sales tax adjustment rate, these cities subtract a mass transit expense rate. The city divides the amount budgeted in property taxes for mass transit expenses in the current year by the total taxable value. **Exhibit 13** illustrates these steps.

Mass transit services do not include the construction, reconstruction or general maintenance of municipal streets.<sup>29</sup>

EXHIBIT 12  
**Adjusting Rollback Rate after Abolishing Additional Sales Tax**

$$\begin{array}{ccccccc} \text{Effective M\&O Rate} & & & & & & \\ \text{(Based on prior year's sales} & \times & 1.08 & + & \text{Debt Service Rate} & = & \text{Rollback Rate} \\ \text{and property taxes.)} & & & & & & \end{array}$$

Source: Texas Comptroller of Public Accounts, 2011.

EXHIBIT 13  
**Calculating One-Time Adjustment for Mass Transit Sales Tax**

$$\begin{array}{ccccccc} \text{Effective Tax Rate} & - & \frac{\text{Mass Transit Expenses}}{\text{Current Year Values}} & \times & \$100 & = & \text{Adjusted Effective Tax Rate} \\ \\ \text{Rollback Tax Rate} & - & \frac{\text{Mass Transit Expenses}}{\text{Current Year Values}} & \times & \$100 & = & \text{Adjusted Rollback Tax Rate} \end{array}$$

Source: Texas Comptroller of Public Accounts, 2011.

<sup>29</sup> Tax Code § 26.043.



## CHAPTER 5:

# Required Public Notices and Hearings

Truth-in-taxation laws require a number of public notices to inform taxpayers about local property taxes. The first notice is an individual notice to a property owner.

The chief appraiser sends a *Notice of Appraised Value* to inform a property owner of proposed property values and other necessary information. The notice includes an estimate of current year taxes based on the current year's proposed taxable value and the last year's tax rate.<sup>30</sup>

The other truth-in-taxation notices discussed below are for taxing units when they publish their effective and rollback tax rates. Further, if a taxing unit's proposed tax rate exceeds a certain level, the unit must publish public notices that meet legal requirements of the Tax Code.

Some taxing units follow a different process. Small taxing units have less restrictive notice requirements. Water districts must follow notice requirements required by the Water Code.

## Part A: Most Taxing Units, Except School Districts

### *Notice of Calculated Rates*

The law requires taxing units, other than small taxing units and water districts, to mail to each property owner the effective and rollback rates, or to publish them in a newspaper of general circulation. The notice must conform to the Comptroller's prescribed form. Taxing units must follow the requirements for the format and wording of the notice. The Comptroller's office recommends the notice be printed in at least 8-point type.

The Comptroller's model forms for these notices appear in this guide's appendices. **Appendix 7** shows the general form for units other than counties. A similar form for counties appears in **Appendix 8**. The county form has additional columns for county property taxes for funds other than the general fund. The county may add more columns if needed; but

the notice must show the total effective and rollback tax rates. This notice may appear in any section of the newspaper.

Notices prepared for a number of units may combine the information for several in a single notice, as long as the notice clearly identifies the information for each unit. This notice may be published at the same time the taxing unit publishes its *Notice of Public Hearing of Tax Increase*.

### *Statement and Schedules*

Taxing units, other than a small taxing unit or a water district, must publish a special statement about increasing or decreasing taxes. Since all of these units will include this statement, it is the first part of the form that appears in **Appendix 9**.

These taxing units also must publish schedules showing unencumbered fund balances in *Schedule A*. Debt needs, if any, are published in *Schedule B* and (if adopted) anticipated revenues from the additional sales tax in *Schedule C*. All units will use the same form for this part of the notice.

Counties must include a *Schedule D* for the state criminal justice mandate. A taxing unit that transfers all or part of a department, function or activity to another unit must publish a *Schedule E*. *Schedule F* is for taxing units with enhanced indigent health care expenditures.

There are several important items to note about the statement and schedules published with the notice. These are discussed in the following pages.

### *Statement of Increase/Decrease*

A statement of increase or decrease is required to be published with the effective and rollback rates. The taxing unit includes a statement that adopting a tax rate equal to the effective tax rate would result in either an increase or decrease in the unit's taxes compared to last year's taxes and the amount of the increase or decrease.

<sup>30</sup> Tax Code § 25.19

To calculate last year's taxes for this increase/decrease statement, multiply the adjusted 2010 values (Line 6) from the *Effective Tax Rate Worksheet* by last year's total rate (Line 4) divide by \$100 and add the refunded taxes (Line 13).

To calculate this year's taxes for this statement, multiply 2011 total values (Line 19) by the 2011 effective tax rate (Line 24 or Line 25 for a county) and divide by \$100. Subtract the two numbers for the difference.

### Schedule A

This schedule lists unencumbered fund balances remaining in each tax fund at the end of the current fiscal year. Fund balances are unencumbered if they are not needed to meet a corresponding debt obligation.

Obtain a written estimate of these balances from the unit's budget officer. A taxing unit must report its entire estimated unencumbered fund balances regardless of the revenue source.<sup>31</sup> Such taxpayer notification provides information that taxpayers need to know to evaluate a tax increase proposal.

### Schedule B

The entity must list in this schedule only debts that meet the four-part test specified in Line 32 of the *Rollback Tax Rate Worksheet*. Report only the amount paid from property taxes. The unit's budget officer can provide this listing.

On Schedule B, units must subtract excess collections from debt service for the upcoming year. See **Chapter 3** for more information about excess debt collections. To complete *Schedule B*, the unit's governing body must decide whether to use surplus or unencumbered funds to retire any debt.

### Schedule C

The unit must list, in Schedule C, the amount of additional sales tax revenue it expects. A county excludes the amount of sales tax revenue that is or will be distributed by the county for economic development grants.

### Schedule D

This schedule provides the amount spent by the county for housing state prisoners, less the state reimbursement for such costs. The county auditor certifies the amount spent by the county in the previous 12 months for state prisoners.

The expenses are for the M&O cost of keeping inmates sentenced to the Texas Department of Criminal Justice. The county sheriff provides the auditor with information on these costs, less any reimbursement by the state. The county continues to use the same 12-month period in subsequent years.

Counties should enter \$0 if the state met all state costs. For state information, call the Texas Commission on Jail Standards at (512) 463-5505.

### Schedule E

A taxing unit that transfers all of a department, function or activity to another taxing unit by written contract must use this schedule. In the first year of the transfer, both units publish a special schedule. The schedules include the name of the unit discontinuing the function, the amount spent by the unit to operate the discontinued function in the preceding 12 months and the name of the unit that will receive the function. If the unit discontinuing the function did not operate the function for a full 12 months before the calculation, then the unit uses the last full fiscal year in which it operated the function.

In the second year after the transfer, the unit that received the function publishes an updated *Schedule E*. This second year schedule states the amount of property tax revenue spent for the 12 months preceding the month of the calculations and the amount published in the preceding year's *Schedule E*. Taxpayers can see what the transferred function has cost in the current year versus the last year in property tax revenue.

The unit discontinuing the function does not publish a *Schedule E* in the second year. Tax collection contracts are not subject to this provision.

### Schedule F

This schedule is used by a taxing unit that has enhanced indigent health care expenditures. It gives a brief description and the amount of the enhanced indigent health care expenditures.

The unit states the amount of the enhanced expenditures in the preceding year and the current year, less any state assistance. For the preceding tax year 2010, the unit's enhanced expenditures are computed from July 1, 2009 through June 30, 2010. The current year is from July 1, 2010 through June 30, 2011.

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<sup>31</sup> *Gilbert v. El Paso County Hospital District*, 38 S.W.3d 85, (Tex. 2001).

### Failure to comply

If the taxing unit does not calculate or publish these required rates and schedules, a property owner in the unit may seek an injunction to prohibit the unit from adopting a tax rate. The district court may grant an injunction if it finds that the unit did not act in good faith.

### Notice of Public Hearing on Tax Increase

Once the taxing unit's representative publishes the effective and rollback tax rates and reports them to the governing body, the governing body — other than one for a small taxing unit or a water district — assumes the duty of complying with truth-in-taxation laws. Failure to carry out this duty in good faith could carry a high price: any property owner in the unit believing the unit has violated the law may go to district court and enjoin tax collections. The injunction stops the delivery of tax bills until the unit convinces the court that it has complied with the law. The property owner must act to enjoin before the date the taxing unit delivers substantially all of its tax bills. A taxing unit must hold two public hearings and publish newspaper ads before adopting a tax rate that exceeds the rollback rate or the effective tax rate, whichever rate is lower.<sup>32</sup>

If proposing a tax increase, the governing body must issue the first of two public notices. This first notice is titled *Notice of Public Hearing on Tax Increase*. The Comptroller's model form appears in **Appendix 10**. Units must publish the notice in a newspaper or mail it to each property owner in the unit at least seven days before the public hearings.

### Content of the notice

The first part of the notice states that the unit is proposing to increase tax revenues and states the percentage increase that the proposed rate exceeds in relation to the effective or rollback rate. It gives the times, dates and places of the two public hearings and tells how members of the governing body voted on the proposal.<sup>33</sup>

Next, the taxing unit states the average taxable value of a residence homestead in the taxing unit in 2010, the total 2010 tax rate for the unit and the amount of taxes imposed on the average home last year.

The notice then lists the 2011 average taxable value of a residence homestead in the unit and the 2011 taxes that would be

imposed on the average home if the governing body of the taxing unit adopts the effective tax rate and the taxes that would be imposed if the governing body adopts the proposed tax rate. The effective and proposed tax rates must be stated on the notice.

There are several ways to calculate the average taxable value of a residence homestead in the taxing unit. The taxing unit could average the value of all residential property, or only homes with general homestead exemptions. In each instance, the total appraised value of the properties (before exemptions are removed) is divided by the number of properties. Then, if the taxing unit offers a general homestead exemption, that amount is subtracted from the average appraised value to determine the average taxable value. The taxing unit disregards the age 65 and over and disabled homestead exemptions.

For the current year average taxable value the unit must take into account the 110-percent appraisal limitation for residence homesteads.<sup>34</sup> The appraisal district can assist with this calculation. Legal advice should be requested if a question arises concerning the appropriate methodology for this calculation.

If applicable, counties must add a paragraph on the criminal justice mandate, and a taxing unit with enhanced indigent health care expenditures adds a sentence stating those costs. The last portion of the notice states that members of the public are encouraged to attend the hearings and express their views.

The law does not require that taxing units use the Comptroller's model form for the *Notice of Public Hearing on Tax Increase*, but the statutory language must be strictly followed. The model form strictly follows this language. All notices should be prepared or reviewed by legal counsel.

### Newspaper requirements

The required newspaper notice must be at least a quarter-page in a standard-size or tabloid-size newspaper. Its headline must appear in 24-point type or larger. It may not appear in the legal or classified section of the newspaper. The unit must publish the notice at least seven days before the date of the first public hearing.<sup>35</sup>

### Website and TV

If the taxing unit owns, operates or controls a website, the unit shall post on its website a supplemental notice for the hearing on a tax rate increase, at least seven days immediately before

<sup>32</sup> Tax Code § 26.05(d)

<sup>33</sup> Tax Code § 26.06(b)

<sup>34</sup> Tax Code § 23.23

<sup>35</sup> Tax Code § 26.06

the first hearing on the proposed tax rate increase and leave the notice there until the second hearing is concluded. If the taxing unit has free access to a television channel, the unit shall request that the station carry a 60-second notice of the public hearing at least five times a day between 7 a.m. and 9 p.m. The notice will run at least seven days immediately before the public hearing on the proposed tax rate increase and at least seven days immediately before the date of the vote proposing the increase in the tax rate.<sup>36</sup>

The additional public hearing notice must contain substantially the same information that is in the quarter-page notice published by the taxing unit. This additional notice does not apply to a taxing unit that is unable to comply because of the failure of an electronic or mechanical device (including a computer or server) or due to other circumstances beyond its control. A property owner is not entitled to an injunction restraining the collection of the taxing unit's taxes if the unit has, in good faith, attempted to comply with the additional notice requirement.

### Notice of Tax Revenue Increase

After the public hearings and before the meeting scheduled for the vote, the governing body must publish a second quarter-page notice titled *Notice of Tax Revenue Increase*. This notice must meet the same requirements as the first:

- at least a quarter-page of a standard newspaper;
- headline in 24-point type or larger;
- general circulation newspaper published at least once a week for 12 months before the date of the notice;
- placed in a newspaper section other than the classified ads or legal notices; and
- strictly follow the wording set out in the Tax Code.

### Content of the notice

The Comptroller's *Model Form 50-198* contains the statutory language for this notice (**Appendix 11**). The notice must contain the following information:

- the percentage by which the proposed tax rate exceeds the lower of the rollback or effective tax rate;
- the dates of the two public hearings;
- the time, location and mailing address where the governing body is scheduled to vote on the tax rate; and
- revenue comparisons.

First, the taxing unit states last year's total tax rate and the revenue raised last year from that tax rate. The unit then states the total proposed tax rate for this year and the total proposed tax revenue excluding revenue from new property added to the tax roll in 2011. Just below this amount, the unit states the total proposed tax rate for 2011 and the total proposed tax revenue including tax revenue from new property added to the roll this year.

The unit's governing body must meet to vote on the tax rate no fewer than three days and no more than 14 days after the second public hearing. This meeting to vote must take place in a public building inside the unit's boundaries. The unit must follow the *Open Meetings Act* when announcing the meeting.

### Website and TV

Like the *Notice of Public Hearing on Tax Increase*, the law requires additional electronic postings for this notice if the taxing unit owns, operates or controls a website or has free access to a television channel (see discussion above for website and television requirements). The unit must run the electronic postings at least seven days immediately before the date of the vote on the proposed tax rate.

## Part B: Small Taxing Units

The Tax Code provides for a simplified tax rate notice for small taxing units. A small taxing unit is a unit that proposes a tax rate for the current year that is 50 cents or less per \$100 of taxable value and would impose taxes of \$500,000 or less from the current total value for the unit. A small taxing unit must meet both conditions.<sup>37</sup>

### Exempt from certain requirements

A small taxing unit is exempt from the notice and publication requirements and the injunction provisions of the Tax Code.<sup>38</sup> Ordinarily a taxing unit is required to publish the effective tax rate, rollback tax rate and certain special schedules. Additionally, a property owner may seek an injunction to prohibit the taxing unit from adopting the tax rate until it has complied with the publication requirements.

A small taxing unit is exempt from publishing two quarter-page ads when it proposes a tax rate that exceeds the rollback rate or the effective tax rate, whichever is lower. Finally, a taxpayer is also barred from seeking an injunction to keep the

<sup>36</sup> Tax Code § 26.065

<sup>37</sup> Tax Code § 26.052

<sup>38</sup> Tax Code §§ 26.04(e) and 26.04(g)



taxing unit from collecting taxes until it has complied with the requirements applicable to the larger taxing units.

### Different public notice

A small taxing unit may provide public notice of the proposed tax rate in one of two ways. The unit may mail a notice of the proposed rate to each property owner in the unit or publish a notice of the proposed rate in the legal section of a newspaper having general circulation in the unit. The unit must provide either notice seven days before the date on which the taxing unit will adopt the proposed tax rate.

### Content of the notice

The notice must contain the proposed tax rate and the date, time and location of the meeting at which the governing body will consider adopting the proposed tax rate. If the proposed tax rate exceeds the unit's effective tax rate, the notice must also include a statement that says, "The proposed tax rate would increase total taxes in (name of taxing unit) by (percentage by which the proposed tax rate exceeds the effective tax rate)".

The effective tax rate is Line 24 (Line 25 for counties) of the *Effective Tax Rate Worksheet*. To calculate the percentage above the effective rate, the taxing unit subtracts the effective tax rate from the proposed rate, divides the difference by the effective tax rate and multiplies by 100.

A small taxing unit, however, that uses the simplified notice requirement may not adopt a tax rate that exceeds the proposed tax rate set out in its notice unless it provides an additional public notice of the higher tax rate or complies with the Tax Code provision for adopting the higher rate. **Appendix 12** provides a sample notice for small taxing units to use.

## Part C: Water Districts

The Water Code requires a different meeting notice for the proposed tax rate for water districts, rather than the public notices required in the Tax Code.<sup>39</sup> **Appendix 13** provides a sample notice that water districts can use.

### One public notice

The water district board publishes one public hearing notice at least seven days before the public hearing date in a local newspaper that has general circulation in the district.

In the alternative, the water district may mail the notice to each property owner at least 10 days before the public hearing date.

### Content of the notice

The *Notice of Public Hearing on Tax Rate* is different than the notice published by other types of taxing units for their public hearings. This notice includes the following information:

- name of the water district;
- date, time and place of the public hearing;
- names of the governing body members and their vote on the proposed tax rate;
- a table of tax rate and value information for the average residence homestead in the district; and
- a statement about the taxpayers' right to a rollback election.

The table in the notice compares the preceding year's taxes on the average home to the taxes the proposed rate would impose on the average home. This table compares the following information:

- last year's adopted tax rate and this year's proposed tax rate;
- difference in the tax rates, expressed in an amount per \$100 and as a percent increase or decrease;
- average appraised value last year and this year of a residence homestead in the water district;
- amount of the homestead exemptions that would apply to the average home last year and this year, disregarding age 65 or older or disabled homeowners' exemptions;
- taxable value of the average residence homestead after exemptions last year and this year, disregarding age 65 or older or disabled homeowners' exemptions;
- amount of tax imposed on last year's average home's taxable value and the amount that would be imposed on this year's average taxable value; and
- difference between the amounts of taxes in dollars and cents and described as the annual percentage increase or decrease if the proposed tax rate is adopted.

There are several ways to calculate the average home value in the water district. The water district may use the average value of all residences or the average value of homes with general homestead exemptions. In each instance, divide the total appraised value of the properties (before exemptions are

<sup>39</sup> Water Code § 49.236

removed) by the number of properties. The appraisal district can assist with this step.

### **Newspaper requirements**

The *Notice of Public Hearing on Tax Rate* must be at least one-quarter page in a standard-size or tabloid-size newspaper of general circulation and the headline must be 18-point or larger type. The notice may appear in a newspaper having general circulation in the taxing unit.





## CHAPTER 6:

# Rollback Elections

If a taxing unit — other than a school district — adopted a tax rate that exceeds the rollback rate, voters in the unit may petition for an election on the tax increase. A successful election limits the unit's current rate to the rollback rate. While water districts follow Water Code provisions in most truth-in-taxation matters, they must follow procedures in the Tax Code when it comes to a rollback election.

### Step 1: Petition for an election

The rollback process starts after the taxing unit formally adopts the tax rate. If the adopted rate exceeds the rollback rate, voters may start the petition drive.

A petition must meet specific requirements. It must state that it is intended to require an election to reduce the tax rate for the current year. If the tax rate adopted for the current year by the taxing unit imposes M&O taxes of \$5 million or more, seven percent of the registered voters shown on the most recent official voter list must sign the petition. If the tax rate adopted by a taxing unit imposes taxes for M&O of less than \$5 million, the signatures of 10 percent of the registered voters in that unit are required on a petition. Signatures collected by a paid person are valid.

Voters must submit the petition to the taxing unit's governing body within 90 days of the tax rate adoption. A sample petition appears in **Appendix 14**. This rollback petition is an example for information purposes only. The Tax Code does not specify the wording required for a rollback petition, nor does it state the form that the petition must take.

Taxpayers must include several items of information on a rollback petition to assist the governing body in determining validity: date of signature, printed name of voter, birth date and home address. If the taxing unit is located in more than one county, the voter must include the name of the county in which he or she resides.

To be valid, a voter's signature is not required to appear exactly as the voter's name appears on the most recent official voter registration list. If the taxing unit's governing body is unable to verify a particular voter's signature, it will look to the petition for some reasonable means to verify, such as home address. The governing body may require the petition's organizer to provide such information for that particular voter, if the organizer wishes for the signature to be counted.<sup>40</sup> Signatures collected more than 180 days before the petition is presented are not valid.<sup>41</sup>

Persons who are considering circulation of a rollback petition or a governing body that is considering the validity of a rollback petition should consult legal counsel for guidance.

### Step 2: Determine if the petition is valid

The taxing unit's governing body is responsible for determining if a rollback petition presented to it is valid.<sup>42</sup> Once the governing body determines that a petition is valid, it must adopt a resolution regarding its validity within 20 days of receiving it. If the governing body takes no action within that time, the petition is automatically valid.

If the governing body finds the petition invalid, it may be a good practice for the resolution or order setting it aside to specify the reasons why it is invalid. The taxing unit should consult its legal counsel on this matter.

### Step 3: Hold election, if necessary

If the governing body for a taxing unit determines the rollback petition is valid, the governing body must set a rollback election date. This date cannot be earlier than 30 days or later than 90 days after the last date the governing body could have ruled on the validity of the petition.

<sup>40</sup> Tax Code § 26.081.

<sup>41</sup> Tax Code § 26.277(e).

<sup>42</sup> Election Code Chapter 277 describes the requirements on a petition for an election.

The requirement that local elections be held on a specified date does not apply to this election, unless a specified date falls within the permitted 30 to 90 days.<sup>43</sup> **Appendix 14** provides a sample rollback election ballot.

More information about election dates may be obtained from the Election Division of the Secretary of State's Office at 1-800-252-8683.

### Step 4: Act on election results

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If the rollback fails, the unit's adopted tax rate stands. A simple majority is necessary for passing the rollback election.

If the rollback election passes, a taxing unit must reduce its tax rate for the current year to the rollback rate. The unit's tax assessor must prepare and mail new tax bills.

#### ***Tax collections***

If the taxing unit has begun collecting taxes at the time of the election, some taxpayers will have paid taxes under the

original rate. The unit must refund the difference between the taxes levied under the original rate and taxes levied under the rollback rate. The taxing unit has 60 days from the date the election results are counted to send refunds. The taxing unit's delinquency date is postponed by the number of days between the date original bills were mailed and the date the corrected bills were mailed.

#### ***Refunds***

A taxing unit sends refunds resulting from a rollback election if the refund amount is \$1 or more. If the amount is less than \$1, the unit shall refund the difference upon the taxpayer's request. The taxpayer must apply for the refund of less than \$1 within 90 days after the date the refund becomes due or forfeit the right to the refund.<sup>44</sup>

After 60 days, units must pay interest on refunds. The interest is 1 percent per month, or part of a month, from the date that the election results were certified to the date the refund is mailed.

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<sup>43</sup> Election Code § 41.001.

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<sup>44</sup> Tax Code § 26.07.

## APPENDIX 1:

# 2011 Planning Calendar

## (Taxing Unit Other than Small Taxing Unit or Water District)

Date	Activity
<b>April – May</b>	Mailing of notices of appraised value by chief appraiser.
<b>April 30*</b>	The chief appraiser prepares and certifies to the tax assessor for each county, municipality, and school district participating in the appraisal district an estimate of the taxable value.
<b>May 15**</b>	Deadline for submitting appraisal records to ARB.
<b>July 20 (Aug. 31)</b>	Deadline for ARB to approve appraisal records.
<b>July 25</b>	Deadline for chief appraiser to certify rolls to taxing units.
_____	Certification of anticipated collection rate by collector.
_____	Calculation of effective and rollback tax rates.
_____	Publication of effective and rollback tax rates, statement and schedules; submission to governing body.
_____	72-hour notice for meeting ( <i>Open Meetings Notice</i> ).
_____	Meeting of governing body to discuss tax rate; if proposed tax rate will exceed the rollback rate or the effective tax rate (whichever is lower), take record vote and schedule public hearing.
_____	Notice of Public Hearing on Tax Increase is the first quarter-page notice in newspaper and on TV and website, if available, published at least seven days before public hearing.
_____	72-hour notice for public hearing ( <i>Open Meetings Notice</i> ).
_____	Public hearing.
_____	72-hour notice for second public hearing ( <i>Open Meetings Notice</i> ).
_____	Second public hearing (may not be earlier than 3 days after first public hearing); schedule and announce meeting to adopt tax rate 3-14 days from this date.
_____	Notice of Tax Revenue Increase published before meeting*** to adopt tax rate is the second quarter-page notice in newspaper before meeting and published on TV and website (if available, at least seven days before meeting).
_____	72-hour notice for meeting at which governing body will adopt tax rate ( <i>Open Meetings Notice</i> ).
_____	Meeting to adopt tax rate. Meeting is 3 to 14 days after second public hearing. Taxing unit must adopt tax rate by Sept. 29 or 60 days after receiving certified appraisal roll, whichever is later.

\* Tax Code § 1.06 directs that if a date falls on a weekend, the deadline is extended to the following Monday. The deadline for certifying the estimated value is April 30, which in 2011 falls on a Saturday.

\*\*Tax Code § 1.06 directs that if a date falls on a weekend, the deadline is extended to the following Monday. The deadline for submitting appraisal records is May 15, which in 2011 falls on a Sunday.

\*\*\* Advice of taxing unit legal counsel should be sought to determine which approach to take in notifying the public of the meeting at which the governing body will vote on the tax rate.

Source: Texas Comptroller of Public Accounts, 2011.

# 2011 Effective Tax Rate Worksheet

Line	Activity	Amount/Rate
1.	<b>2010 total taxable value.</b> Enter the amount of 2010 taxable value on the 2010 tax roll today. Include any adjustments since last year's certification; exclude Section 25.25(d) one-third over-appraisal corrections from these adjustments. This total includes the taxable value of homesteads with tax ceilings (will deduct in Line 2) and the captured value for tax increment financing (will deduct taxes in Line 14).	\$
2.	<b>2010 tax ceilings.</b> Counties, cities and junior college districts. Enter 2010 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other units enter 0. If your taxing units adopted the tax ceiling provision in 2010 or a prior year for homeowners age 65 or older or disabled, use this step.	\$
3.	<b>Preliminary 2010 adjusted taxable value.</b> Subtract Line 2 from Line 1.	\$
4.	<b>2010 total adopted tax rate.</b>	\$ /\$100
5.	<b>2010 taxable value lost because court appeals of ARB decisions reduced 2010 appraised value.</b>  A. <b>Original 2010 ARB values:</b> \$ _____  B. <b>2010 values resulting from final court decisions:</b> - \$ _____  C. <b>2010 value loss.</b> Subtract B from A.	\$
6.	<b>2010 taxable value, adjusted for court-ordered reductions.</b> Add Line 3 and Line 5C.	\$
7.	<b>2010 taxable value of property in territory the unit deannexed after Jan. 1, 2010.</b> Enter the 2010 value of property in deannexed territory.	\$
8.	<b>2010 taxable value lost because property first qualified for an exemption in 2011.</b> Note that lowering the amount or percentage of an existing exemption does not create a new exemption or reduce taxable value. If the taxing unit increased an original exemption, use the difference between the original exempted amount and the increased exempted amount. Do not include value lost due to freeport or "goods-in-transit" exemptions.  A. <b>Absolute exemptions.</b> Use 2010 market value: \$ _____  B. <b>Partial exemptions.</b> 2011 exemption amount or 2011 percentage exemption times 2010 value: + \$ _____  C. <b>Value loss.</b> Add A and B.	\$
9.	<b>2010 taxable value lost because property first qualified for agricultural appraisal (1-d or 1-d-1), timber appraisal, recreational/scenic appraisal or public access airport special appraisal in 2011.</b> Use only properties that qualified in 2011 for the first time; do not use properties that qualified in 2010.  A. <b>2010 market value:</b> \$ _____  B. <b>2011 productivity or special appraised value:</b> - \$ _____  C. <b>Value loss.</b> Subtract B from A.	\$

Line	Activity	Amount/Rate
10.	<b>Total adjustments for lost value.</b> Add Lines 7, 8C and 9C.	\$
11.	<b>2010 adjusted taxable value.</b> Subtract Line 10 from Line 6	\$
12.	<b>Adjusted 2010 taxes.</b> Multiply Line 4 by Line 11 and divide by \$100.	\$
13.	<b>Taxes refunded for years preceding tax year 2010.</b> Enter the amount of taxes refunded during the last budget year for tax years preceding tax year 2010. Types of refunds include court decisions, Section 25.25(b) and (c) corrections and Section 31.11 payment errors. Do not include refunds for tax year 2010. This line applies only to tax years preceding tax year 2010.	\$
14.	<b>Taxes in tax increment financing (TIF) for tax year 2010.</b> Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the unit has no 2011 captured appraised value in Line 16D, enter 0.	\$
15.	<b>Adjusted 2010 taxes with refunds and TIF adjustment.</b> Add Lines 12 and 13, subtract Line 14.	\$
16.	<p><b>Total 2011 taxable value on the 2011 certified appraisal roll today.</b> This value includes only certified values and includes the total taxable value of homesteads with tax ceilings (will deduct in Line 18). These homesteads include homeowners age 65 or older or disabled.</p> <p>A. <b>Certified values:</b> \$ _____</p> <p>B. <b>Counties:</b> Include railroad rolling stock values certified by the Comptroller's office: + \$ _____</p> <p>C. <b>Pollution control exemption:</b> Deduct the value of property exempted for the current tax year for the first time as pollution control property (use this Line based on attorney's advice): - \$ _____</p> <p>D. <b>Tax increment financing:</b> Deduct the 2011 captured appraised value of property taxable by a taxing unit in a tax increment financing zone for which the 2011 taxes will be deposited into the tax increment fund. Do not include any new property value that will be included in Line 21 below. - \$ _____</p> <p>E. <b>Total 2011 value.</b> Add A and B, then subtract C and D.</p>	\$
17.	<p><b>Total value of properties under protest or not included on certified appraisal roll.</b></p> <p>A. <b>2011 taxable value of properties under protest.</b> The chief appraiser certifies a list of properties still under ARB protest. The list shows the district's value and the taxpayer's claimed value, if any or an estimate of the value if the taxpayer wins. For each of the properties under protest, use the lowest of these values. Enter the total value. \$ _____</p> <p>B. <b>2011 value of properties not under protest or included on certified appraisal roll.</b> The chief appraiser gives taxing units a list of those taxable properties that the chief appraiser knows about, but are not included in the appraisal roll certification. These properties also are not on the list of properties that are still under protest. On this list of properties, the chief appraiser includes the market value, appraised value and exemptions for the preceding year and a reasonable estimate of the market value, appraised value and exemptions for the current year. Use the lower market, appraised or taxable value (as appropriate). Enter the total value. \$ _____</p> <p>C. <b>Total value under protest or not certified.</b> Add A and B.</p>	\$

## Appendix 2: 2011 Effective Tax Rate Worksheet

Line	Activity	Amount/Rate
18.	<b>2011 tax ceilings.</b> Enter 2011 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other units enter "0." If your taxing units adopted the tax ceiling provision in 2010 or a prior year for homeowners age 65 or older or disabled, use this step.	\$
19.	<b>2011 total taxable value.</b> Add Lines 16E and 17C. Subtract Line 18.	\$
20.	<b>Total 2011 taxable value of properties in territory annexed after Jan. 1, 2010.</b> Include both real and personal property. Enter the 2011 value of property in territory annexed.	\$
21.	<b>Total 2011 taxable value of new improvements and new personal property located in new improvements.</b> "New" means the item was not on the appraisal roll in 2010. An improvement is a building, structure, fixture or fence erected on or affixed to land. New additions to existing improvements may be included if the appraised value can be determined. New personal property in a new improvement must have been brought into the unit after Jan. 1, 2010, and be located in a new improvement. New improvements <b>do</b> include property on which a tax abatement agreement has expired for 2011.	\$
22.	<b>Total adjustments to the 2011 taxable value.</b> Add Lines 20 and 21.	\$
23.	<b>2011 adjusted taxable value.</b> Subtract Line 22 from Line 19.	\$
24.	<b>2011 effective tax rate.</b> Divide Line 15 by Line 23 and multiply by \$100.	\$ /\$100
25.	<b>COUNTIES ONLY.</b> Add together the effective tax rates for each type of tax the county levies. The total is the 2011 county effective tax rate.	\$ /\$100

A county, city or hospital district that adopted the additional sales tax In November 2010 or in May 2011 must adjust its effective tax rate. The *Additional Sales Tax Rate Worksheet* (**Appendix 4**) sets out this adjustment. Do not forget to complete the *Additional Sales Tax Rate Worksheet* if the taxing unit adopted the additional sales tax on these dates.

APPENDIX 3:

# 2011 Rollback Tax Rate Worksheet

See Chapter 3 for an explanation of the rollback tax rate.

Line	Activity	Amount/Rate
26.	<b>2010 maintenance and operations (M&amp;O) tax rate.</b>	\$ /\$100
27.	<b>2010 adjusted taxable value. Enter the amount from Line 11.</b>	\$
28.	<p><b>2010 M&amp;O taxes.</b></p> <p>A. Multiply Line 26 by Line 27 and divide by \$100.      \$ _____</p> <p>B. <b>Cities, counties and hospital districts with additional sales tax:</b> Amount of additional sales tax collected and spent on M&amp;O expenses in 2010. Enter amount from full year's sales tax revenue spent for M&amp;O in 2010 fiscal year, if any. Other units enter 0. Counties exclude any amount that was spent for economic development grants from the amount of sales tax spent. + \$ _____</p> <p>C. <b>Counties:</b> Enter the amount for the state criminal justice mandate. If second or later year, the amount is for increased cost above last year's amount. Other units enter "0." + \$ _____</p> <p>D. <b>Transferring function:</b> If discontinuing all of a department, function or activity and transferring it to another unit by written contract, enter the amount spent by the unit discontinuing the function in the 12 months preceding the month of this calculation. If the unit did not operate this function for this 12-month period, use the amount spent in the last full fiscal year in which the unit operated the function. The unit discontinuing the function will subtract this amount in H below. The unit receiving the function will add this amount in H below. Other units enter 0. +/- \$ _____</p> <p>E. <b>Taxes refunded for years preceding tax year 2010:</b> Enter the amount of M&amp;O taxes refunded during the last budget year for tax years preceding tax year 2010. Types of refunds include court decisions, Section 25.25(b) and (c) corrections and Section 31.11 payment errors. Do not include refunds for tax year 2010. This line applies only to tax years preceding tax year 2010. + \$ _____</p> <p>F. <b>Enhanced indigent health care expenditures:</b> Enter the increased amount for the current year's enhanced indigent health care expenditures above the preceding tax year's enhanced indigent health care expenditures, less any state assistance. + \$ _____</p> <p>G. <b>Taxes in TIF:</b> Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the unit has no 2011 captured appraised value in Line 16D, enter 0. - \$ _____</p> <p>H. <b>Adjusted M&amp;O Taxes.</b> Add A, B, C, E and F. For unit with D, subtract if discontinuing function and add if receiving function. Subtract G.</p>	\$
29.	<p><b>2011 adjusted taxable value.</b></p> <p>Enter Line 23 from the <i>Effective Tax Rate Worksheet</i>.</p>	\$
30.	<p><b>2011 effective maintenance and operations rate.</b></p> <p>Divide Line 28H by Line 29 and multiply by \$100.</p>	\$ /\$100

### Appendix 3: 2011 Rollback Tax Rate Worksheet

Line	Activity	Amount/Rate
31.	<b>2011 rollback maintenance and operation rate.</b> Multiply Line 30 by 1.08.	\$ /\$100
32.	<b>Total 2011 debt to be paid with property taxes and additional sales tax revenue.</b> "Debt" means the interest and principal that will be paid on debts that: (1) are paid by property taxes, (2) are secured by property taxes, (3) are scheduled for payment over a period longer than one year and (4) are not classified in the unit's budget as M&O expenses.  A. <b>Debt</b> also includes contractual payments to other taxing units that have incurred debts on behalf of this taxing unit, if those debts meet the four conditions above. Include only amounts that will be paid from property tax revenue. Do not include appraisal district budget payments. List the debt in Schedule B: Debt Service. <div style="text-align: right;">\$ _____</div>  B. Subtract <b>unencumbered fund amount</b> used to reduce total debt. <div style="text-align: right;">- \$ _____</div>  C. <b>Adjusted debt.</b> Subtract B from A.	\$
33.	<b>Certified 2010 excess debt collections.</b> Enter the amount certified by the collector.	\$
34.	<b>Adjusted 2011 debt.</b> Subtract Line 33 from Line 32C.	\$
35.	<b>Certified 2011 anticipated collection rate.</b> Enter the rate certified by the collector. If the rate is 100 percent or greater, enter 100 percent.	%
36.	<b>2011 debt adjusted for collections.</b> Divide Line 34 by Line 35	\$
37.	<b>2011 total taxable value.</b> Enter the amount on Line 19.	\$
38.	<b>2011 debt tax rate.</b> Divide Line 36 by Line 37 and multiply by \$100.	\$ /\$100
39.	<b>2011 rollback tax rate.</b> Add Lines 31 and 38.	\$ /\$100
40.	<b>COUNTIES ONLY.</b> Add together the rollback tax rates for each type of tax the county levies. The total is the 2011 county rollback tax rate.	\$ /\$100

A taxing unit that adopted the additional sales tax must complete the lines for the *Additional Sales Tax Rate*. A taxing unit seeking additional rollback protection for pollution control expenses completes the *Additional Rollback Protection for Pollution Control*.



APPENDIX 4:

# Additional Sales Tax Rate

Line	Activity	Amount/Rate
41.	<b>Taxable Sales.</b> For units that adopted the sales tax in November 2010 or May 2011, enter the Comptroller's estimate of taxable sales for the previous four quarters. Units that adopted the sales tax before November 2010, skip this line.	\$
42.	Estimated sales tax revenue. Counties exclude any amount that is or will be spent for economic development grants from the amount of estimated sales tax revenue.  <b>Units that adopted the sales tax in November 2010 or in May 2011.</b> Multiply the amount on Line 41 by the sales tax rate (.01, .005 or .0025, as applicable) and multiply the result by .95. <b>- or -</b> <b>Units that adopted the sales tax before November 2010.</b> Enter the sales tax revenue for the previous four quarters. Do not multiply by .95.	\$
43.	<b>2011 total taxable value.</b> Enter the amount from Line 37 of the <i>Rollback Tax Rate Worksheet</i> .	\$
44.	<b>Sales tax adjustment rate.</b> Divide Line 42 by Line 43 and multiply by \$100.	\$ /\$100
45.	<b>2011 effective tax rate, unadjusted for sales tax.</b> Enter the rate from Line 24 or 25, as applicable, on the <i>Effective Tax Rate Worksheet</i> .	\$ /\$100
46.	<b>2011 effective tax rate, adjusted for sales tax.</b> <b>Units that adopted the sales tax in November 2010 or in May 2011.</b> Subtract Line 44 from Line 45. Skip to Line 47 if you adopted the additional sales tax before November 2010.	\$ /\$100
47.	<b>2011 rollback tax rate, unadjusted for sales tax.</b> Enter the rate from Line 39 or 40, as applicable, of the <i>Rollback Tax Rate Worksheet</i> .	\$ /\$100
48.	<b>2011 rollback tax rate, adjusted for sales tax.</b> Subtract Line 44 from Line 47.	\$ /\$100

## APPENDIX 5:

# Additional Rollback Protection for Pollution Control

Line	Activity	Amount/Rate
49.	<b>Certified expenses from the Texas Commission on Environmental Quality (TCEQ).</b> Enter the amount certified in the determination letter from TCEQ. The taxing unit shall provide its tax assessor-collector with a copy of the letter. See <b>Chapter 3</b> , the Rollback Rate, for more details.	\$
50.	<b>2011 total taxable value.</b> Enter the amount from Line 37 of the <i>Rollback Tax Rate Worksheet</i> .	\$
51.	<b>Additional rate for pollution control.</b> Divide Line 49 by Line 50 and multiply by \$100.	\$ /\$100
52.	<b>2011 rollback tax rate, adjusted for pollution control.</b> Add Line 51 to one of the following lines (as applicable): Line 39, Line 40 (counties) or Line 48 (units with the additional sales tax).	\$ /\$100

## APPENDIX 6:

# Water District Tax Rate Rollback Worksheet

Line	Maintenance and Operations (M&O) Rate:	Amount/Rate
1.	<b>2010 average appraised value of residence homestead.</b>	\$
2.	<b>2010 general exemptions available for the average homestead</b> (excluding senior citizen's or disabled person's exemptions).	-\$
3.	<b>2010 average taxable value of residence homestead</b> (Line 1 minus Line 2).	\$
4.	<b>2010 adopted M&amp;O tax rate</b> (per \$100 of value).	\$ /\$100
5.	<b>2010 M&amp;O tax on average residence homestead</b> (Multiply Line 3 by Line 4, divide by \$100).	\$
6.	<b>Highest M&amp;O tax on average residence homestead with increase</b> (Multiply Line 5 by 1.08).	\$
7.	<b>2011 average appraised value of residence homestead.</b>	\$
8.	<b>2011 general exemptions available for the average homestead</b> (Excluding senior citizen's or disabled person's exemptions).	-\$
9.	<b>2011 average taxable value of residence homestead</b> (Line 7 minus Line 8).	\$
10.	<b>Highest 2011 M&amp;O Tax Rate</b> (Line 6 divided by Line 9, multiply by \$100)	\$ /\$100
11.	<b>2011 Debt Tax Rate.</b>	\$ /\$100
12.	<b>2011 Contract Tax Rate</b>	\$ /\$100
13.	<b>2011 Rollback Tax Rate</b> (add Lines 10, 11 and 12).	\$ /\$100


This is the highest rate that the water district may adopt without triggering a rollback.  
The Comptroller's office provides this sample worksheet as a service to water districts.

## APPENDIX 7:

# Notice of Effective Tax Rate for Most Taxing Units

### Notice of Effective Tax Rate

(for use by most taxing units)

 50-212  
(Rev. 08-09/10)

(insert year) **Property Tax Rates in** (insert taxing unit name)

This notice concerns (insert year) property tax rates for (insert taxing unit name). It presents information about three tax rates. Last year's tax rate is the actual rate the taxing unit used to determine property taxes last year. This year's *effective* tax rate would impose the same total taxes as last year if you compare properties taxed in both years. This year's *rollback* tax rate is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures. In each case these rates are found by dividing the total amount of taxes by the tax base (the total value of taxable property) with adjustments as required by state law. The rates are given per \$100 of property value.

#### Last year's tax rate:

Last year's operating taxes	\$	
Last year's debt taxes	\$	
Last year's total taxes	\$	
Last year's tax base	\$	
Last year's total tax rate	\$	/100

#### This year's effective tax rate:

Last year's adjusted taxes (after subtracting taxes on lost property)	\$	(15)	
+ This year's adjusted tax base (after subtracting value of new property)	\$	(23)	
= This year's effective tax rate	\$	(24)	/100

(Maximum rate unless unit publishes notices and holds hearings.)

*In the first year a hospital district or city collects the additional sales tax to reduce property taxes, it must insert the following lines unless its first adjustment was made last year:*

- Sales tax adjustment rate	\$	(44)	/100
= Effective tax rate	\$	(46)	/100

#### This year's rollback tax rate:

Last year's adjusted operating taxes (after subtracting taxes on lost property and adjusting for any transferred function, tax increment financing, state criminal justice mandate, and/or enhanced indigent health care expenditures)	\$	(28)	
+ This year's adjusted tax base	\$	(29)	
= This year's effective operating rate	\$	(30)	/100
x 1.08 = this year's maximum operating rate	\$	(31)	/100
+ This year's debt rate	\$	(38)	/100
= This year's total rollback rate	\$	(39)	/100

*A hospital district or city that collects the additional sales tax to reduce property taxes, including one that collects the tax for the first time this year, must insert the following lines:*

- Sales tax adjustment rate	\$	(44)	/100
= Rollback tax rate	\$	(48)	/100

*For a taxing unit with additional rollback rate for pollution control, insert the following lines:*

+ Additional rollback rate for pollution control	\$	(51)	/100
= Rollback tax rate	\$	(52)	/100

## APPENDIX 8:

# Notice of Effective Tax Rate for Counties

### Notice of Effective Tax Rate

(for use by counties)


 50-211  
 (Rev. 05-06/8)

(insert year) **Property Tax Rates in** (insert county name)

This notice concerns (insert year) property tax rates for (insert county name). It presents information about three tax rates. Last year's tax rate is the actual rate the taxing unit used to determine property taxes last year. This year's *effective* tax rate would impose the same total taxes as last year if you compare properties taxed in both years. This year's *rollback* tax rate is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures. In each case these rates are found by dividing the total amount of taxes by the tax base (the total value of taxable property) with adjustments as required by state law. The rates are given per \$100 of property value.

	General Fund	Farm to Market/ Flood Control Fund	Special Road/ Bridge Fund
<b>Last year's tax rate:</b>			
Last year's operating taxes	\$	\$	\$
Last year's debt taxes	\$	\$	\$
Last year's total taxes	\$	\$	\$
Last year's tax base	\$	\$	\$
Last year's total tax rate	\$ /\$100	\$ /\$100	\$ /\$100

#### This year's effective tax rate:

Last year's adjusted taxes (after subtracting taxes on lost property)	\$ (15)	\$ (15)	\$ (15)
÷ This year's adjusted tax base (after subtracting value of new property)	\$ (23)	\$ (23)	\$ (23)
= This year's effective tax rate for each fund	\$ (24) /\$100	\$ (24) /\$100	\$ (24) /\$100
Total effective tax rate	\$ (25) /\$100		

(Maximum rate unless unit publishes notices and holds hearings.)

In the first year a county collects the additional sales tax to reduce property taxes, it must insert the following lines unless its first adjustment was made last year:

- Sales tax adjustment rate	\$ (44) /\$100
= Effective tax rate	\$ (46) /\$100

#### This year's rollback tax rate:

Last year's adjusted operating taxes (after subtracting taxes on lost property and adjusting for any transferred function, tax increment financing, state criminal justice mandate, and/or enhanced indigent health care expenditures)	\$ (28)	\$ (28)	\$ (28)
÷ This year's adjusted tax base	\$ (29)	\$ (29)	\$ (29)
= This year's effective rate	\$ (30) /\$100	\$ (30) /\$100	\$ (30) /\$100
x 1.08 = this year's maximum operating rate	\$ (31) /\$100	\$ (31) /\$100	\$ (31) /\$100
+ This year's debt rate	\$ (38) /\$100	\$ (38) /\$100	\$ (38) /\$100
= This year's rollback rate for each fund	\$ (39) /\$100	\$ (39) /\$100	\$ (39) /\$100
This year's total rollback rate	\$ (40) /\$100		

A county that collects the additional sales tax to reduce property taxes, including one that collects the tax for the first time this year, must insert the following lines:


- Sales tax adjustment rate	\$ (44) /\$100
= Rollback tax rate	\$ (48) /\$100

For a county with additional rollback rate for pollution control, insert the following lines:

+ Additional rollback rate for pollution control	\$ (51) /\$100
= Rollback tax rate	\$ (52) /\$100

## APPENDIX 9:

# Statement of Increase/Decrease



## Statement of Increase/Decrease

Property Tax  
**Form 50-179**

If \_\_\_\_\_ adopts a \_\_\_\_\_ tax rate equal to the effective tax rate of \$ \_\_\_\_\_ per  
(name of taxing unit) (current year) (unit's effective tax rate)

\$100 of value, taxes would \_\_\_\_\_ compared to \_\_\_\_\_ taxes by \$ \_\_\_\_\_.  
(increase or decrease) (previous year) (amount of increase or decrease)

**Schedule A – Unencumbered Fund Balances**

The following estimated balances will be left in the unit's property tax accounts at the end of the fiscal year. These balances are not encumbered by a corresponding debt obligation.

Type of Property Tax Fund	Balance
	\$ _____

**Schedule B – Current Year Debt Service**

The unit plans to pay the following amounts for long-term debts that are secured by property taxes. These amounts will be paid from property tax revenues (or additional sales tax revenues, if applicable).

Description of Debt	Principal or Contract Payment To Be Paid From Property Taxes	Interest To Be Paid From Property Taxes	Other Amounts To Be Paid	Total Payment
	\$ _____	\$ _____	\$ _____	\$ _____

*(expand as needed)*

Total required for _____ debt service <small>(current year)</small>	\$ _____
– Amount (if any) paid from funds listed in Schedule A	\$ _____
– Amount (if any) paid from other resources	\$ _____
– Excess collections last year	\$ _____
= Total to be paid from taxes in _____ <small>(current year)</small>	\$ _____
+ Amount added in anticipation that the unit will collect	
only _____ % of its taxes in _____ <small>(current year)</small>	\$ _____
= Total Debt Levy	\$ _____

**Schedule C – Expected Revenue from Additional Sales Tax**

(For hospital districts, cities and counties with additional sales tax to reduce property taxes)

In calculating its effective and rollback tax rates, the unit estimated that it will receive \$ \_\_\_\_\_ in additional sales and use tax revenues.  
(amount)

**For County:** The county has excluded any amount that is or will be distributed for economic development grants from this amount of expected sales tax revenue.

The Property Tax Assistance Division at the Texas Comptroller of Public Accounts provides property tax information and resources for taxpayers, local taxing entities, appraisal districts and appraisal review boards.

For more information, visit our Web site:  
[www.window.state.tx.us/taxinfo/proptax](http://www.window.state.tx.us/taxinfo/proptax)

50-179 • 05-11/5



## Statement of Increase/Decrease

**Schedule D – State Criminal Justice Mandate (For Counties)**

The \_\_\_\_\_ County Auditor certifies that \_\_\_\_\_ County has spent  
(county name) (county name)  
 \$ \_\_\_\_\_ in the previous 12 months beginning \_\_\_\_\_, \_\_\_\_\_, for the maintenance and operations  
(amount) (date)  
 cost of keeping inmates sentenced to the Texas Department of Criminal Justice. \_\_\_\_\_ County Sheriff has  
(county name)  
 provided information on these costs, minus the state revenues received for reimbursement of such costs.

**Schedule E – Transfer of Department, Function or Activity**

The \_\_\_\_\_ spent \$ \_\_\_\_\_ from \_\_\_\_\_ to  
(name of taxing unit discontinuing the function) (amount spent in the preceding 12 months before the rate calculations) (beginning date)  
 \_\_\_\_\_ on the \_\_\_\_\_. The \_\_\_\_\_ operates this  
(ending date) (name of discontinuing function) (name of taxing unit receiving the function)  
 function in all or a majority of the \_\_\_\_\_.  
(name of taxing unit discontinuing the function)

[Second Year of Transfer: Modify schedule to show comparison of amount this year and preceding year by unit receiving the function.]

**Schedule F – Enhanced Indigent Health Care Expenditures**

The \_\_\_\_\_ spent \$ \_\_\_\_\_ from \_\_\_\_\_ to \_\_\_\_\_  
(name of taxing unit) (amount) (beginning date) (ending date)  
 on enhanced indigent health care at the increased minimum eligibility standards, less the amount of state assistance. For the current tax year, the amount of  
 increase above last year's enhanced indigent health care expenditures is \$ \_\_\_\_\_.  
(amount of increase)

This notice contains a summary of actual effective and rollback tax rates' calculations.  
 You can inspect a copy of the full calculations at:

Insert address \_\_\_\_\_

Name of person  
 preparing this notice \_\_\_\_\_


Title \_\_\_\_\_

Date prepared \_\_\_\_\_

For more information, visit our Web site: [www.window.state.tx.us/taxinfo/proptax](http://www.window.state.tx.us/taxinfo/proptax)



# Notice of Public Hearing on Tax Increase

 50-197  
(Rev. 08-09/13)

## Notice of Public Hearing on Tax Increase

The \_\_\_\_\_ (name of taxing unit) will hold two public hearings on a proposal to increase total tax revenues from properties on the tax roll in the preceding tax year by \_\_\_\_\_ percent (percentage by which proposed tax rate exceeds lower of rollback tax rate or effective tax calculated under Chapter 26, Tax Code). Your individual taxes may increase at a greater or lesser rate, or even decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

The first public hearing will be held on \_\_\_\_\_ (date and time) at \_\_\_\_\_ (meeting place).

The second public hearing will be held on \_\_\_\_\_ (date and time) at \_\_\_\_\_ (meeting place).

The members of the governing body voted on the proposal to consider the tax increase as follows:

FOR:  
AGAINST:  
PRESENT and not voting:  
ABSENT:

The average taxable value of a residence homestead in \_\_\_\_\_ last year was \$ \_\_\_\_\_ (average taxable value of a residence homestead in the taxing unit for the preceding tax year, disregarding residence homestead exemptions available only to disabled persons or persons 65 years of age or older). Based on last year's tax rate of \$ \_\_\_\_\_ (preceding year's adopted tax rate) per \$100 of taxable value, the amount of taxes imposed last year on the average home was \$ \_\_\_\_\_ (tax on average taxable value of a residence homestead in the taxing unit for the preceding tax year, disregarding residence homestead exemptions available only to disabled persons or persons 65 years of age or older).

The average taxable value of a residence homestead in \_\_\_\_\_ this year is \$ \_\_\_\_\_ (average taxable value of a residence homestead in the taxing unit for the current tax year, disregarding residence homestead exemptions available only to disabled persons or persons 65 years of age or older). If the governing body adopts the effective tax rate for this year of \$ \_\_\_\_\_ per \$100 of taxable value, the amount of taxes imposed this year on the average home would be \$ \_\_\_\_\_ (tax on average taxable value of a residence homestead in the taxing unit for the current tax year, disregarding residence homestead exemptions available only to disabled persons or persons 65 years of age or older).

If the governing body adopts the proposed tax rate of \$ \_\_\_\_\_ per \$100 of taxable value, the amount of taxes imposed this year on the average home would be \$ \_\_\_\_\_ (tax on the average taxable value of a residence homestead in the taxing unit for the current tax year, disregarding residence homestead exemptions available only to disabled persons or persons 65 years of age or older).

Members of the public are encouraged to attend the hearings and express their views.

### Special Provisions if Applicable

#### Criminal Justice Mandate (use for counties, if applicable):

The \_\_\_\_\_ County Auditor certifies that \_\_\_\_\_ County has spent \$ \_\_\_\_\_ in the previous 12 months beginning \_\_\_\_\_, \_\_\_\_\_, for the maintenance and operations cost of keeping inmates sentenced to the Texas Department of Criminal Justice. \_\_\_\_\_ County Sheriff has provided information on these costs, minus the state revenues received for reimbursement of such costs.

#### Enhanced Indigent Health Care Expenditures (use if applicable):

The \_\_\_\_\_ spent \$ \_\_\_\_\_ from \_\_\_\_\_ to \_\_\_\_\_ on enhanced indigent health care at the increased minimum eligibility standards, less the amount of state assistance. For the current tax year, the amount of increase above last year's enhanced indigent health care expenditures is \_\_\_\_\_.

# Notice of Tax Revenue Increase



Property Tax  
Form 50-198

## NOTICE OF TAX REVENUE INCREASE

The \_\_\_\_\_  
(name of taxing unit)  
conducted public hearings on \_\_\_\_\_ and \_\_\_\_\_ on a proposal to increase  
(date of first hearing) (date of second hearing)  
the total tax revenues of the \_\_\_\_\_  
(name of taxing unit)  
from properties on the tax roll in the preceding year by \_\_\_\_\_ percent.  
(percentage by which proposed tax rate  
exceeds lower of rollback rate or effective  
tax rate calculated under this chapter)

The total tax revenue proposed to be raised last year at last year's tax rate of \_\_\_\_\_  
(insert tax rate for the  
preceding year)  
for each \$100 of taxable value was \_\_\_\_\_  
(insert total amount of taxes imposed  
for the preceding year)

The total tax revenue proposed to be raised this year at the proposed tax rate of \_\_\_\_\_  
(insert proposed tax rate)  
for each \$100 of taxable value, excluding tax revenue to be raised from new property added to the tax  
roll this year, is \_\_\_\_\_  
(insert amount computed by multiplying proposed tax rate by the  
difference between current total value and new property value.)

The total tax revenue proposed to be raised this year at the proposed tax rate of \_\_\_\_\_  
(insert proposed tax rate)  
for each \$100 of taxable value, including tax revenue to be raised from new property added to the tax  
roll this year, is \_\_\_\_\_  
(insert amount computed by multiplying  
proposed tax rate by current total value.)

The \_\_\_\_\_ is scheduled to vote on the tax  
(governing body of the taxing unit)  
rate that will result in that tax increase at a public meeting to be held on \_\_\_\_\_  
(date of meeting)  
at \_\_\_\_\_  
(location of meeting, including mailing address)  
at \_\_\_\_\_  
(time of meeting)

## APPENDIX 12:

# Small Taxing Unit Notice

### Small Taxing Unit Notice

(Sample)



Property Tax  
**Form 50-757**

The \_\_\_\_\_ (Name of taxing unit) will hold a meeting at \_\_\_\_\_ (Time)  
on \_\_\_\_\_ (Date) at \_\_\_\_\_ (Location)  
to consider adopting a proposed tax rate for tax year \_\_\_\_\_ (Year). The proposed tax rate is  
\_\_\_\_\_ (Rate) per \$100 of value.

(\*Include this statement if the proposed tax rate exceeds the unit's effective tax rate calculated under  
Tax Code Section 26.04.)

The proposed tax rate would increase total taxes in \_\_\_\_\_ (Name of taxing unit)  
by \_\_\_\_\_ (Percentage by which the proposed  
tax rate exceeds the effective tax rate) %.\*

The Property Tax Assistance Division at the Texas Comptroller of Public Accounts provides property tax  
information and resources for taxpayers, local taxing entities, appraisal districts and appraisal review boards.

For more information, visit our website:  
[www.window.state.tx.us/taxinfo/proptax](http://www.window.state.tx.us/taxinfo/proptax)  
50-757 • 06-11/2

# Water District Notice of Public Hearing on Tax Rate



## Water District Notice of Public Hearing on Tax Rate

The \_\_\_\_\_ (name of the district) will hold a public hearing on a proposed tax rate for the tax year \_\_\_\_\_ (year of tax levy) on \_\_\_\_\_ (date and time) at \_\_\_\_\_ (meeting place). Your individual taxes may increase or decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

**FOR** the proposal:

**AGAINST** the proposal:

**PRESENT** and not voting:

**ABSENT:**

(names of all members of the governing body  
and how each voted on the proposed tax rate)

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

	Last Year	This Year
Total tax rate (per \$100 of value)	_____/ \$100	_____/ \$100
Adopted	Proposed	
Difference in rates per \$100 of value	\$ ____/ \$100	
Percentage increase/decrease in rates(+/-)	____%	
Average appraised value	\$ _____	\$ _____
General exemptions available (excluding senior citizen's or disabled person's exemptions)	\$ _____	\$ _____
Average taxable value	\$ _____	\$ _____
Tax on average residence homestead	\$ _____	\$ _____
Annual increase/decrease in taxes if proposed tax rate is adopted (+/-)	\$ _____	
and percentage of increase (+/-)	____%	

### NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

If taxes on the average residence homestead increase by more than eight percent, the qualified voters of the district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate to the rollback tax rate under Section 49.236(d), Water Code.

## APPENDIX 14:

# Tax Rate Rollback Petition and Ballots

### Sample Rollback Petition for a Taxing Unit Other Than a School District

This petition, signed by the following registered voters in the taxing unit of (name of taxing unit) is intended to require that an election be held in the (name of taxing unit) concerning the question of reducing the tax rate for the current year, \_\_\_\_\_. The provisions for this petition are set forth in Tex. Tax Code § 26.07 or 26.085.

Date Signed	Voter Signature	Printed Name	Residence Address	Birth Date
1. _____				
2. _____				

and so on

**Note:** Add county of residence if taxing unit is located in more than one county.

### Tax Rate Rollback Election

For (name of taxing unit)  
(date of election)

#### OFFICIAL BALLOT

Place an "X" in the square beside the statement indicating the way you wish to vote.

☐ FOR

☐ AGAINST

Reducing the tax rate in (name of taxing unit)  
 for the current year from (the rate adopted)  
 to (the rollback rate calculated according  
to Tax Code § 26.04).

## APPENDIX 15:

# Tax Rate

*Tax Code*  
*§ 26.05(b)*

A motion to adopt an ordinance, resolution, or order setting a tax rate that exceeds the effective tax rate must be made in the following form:

"I move that the property tax rate be increased by the adoption of a tax rate of *(specify tax rate)*, which is effectively a *(insert percentage by which the proposed tax rate exceeds the effective tax rate)* percent increase in the tax rate."

*Tax Code*  
*§ 26.05(b)(1)*

(1) Include in the ordinance, resolution, or order in type larger than the type used in any other portion of the document:

(A) The following statement: "THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE.";

and

(B) If the tax rate exceeds the effective maintenance and operations rate, the following statement: "THE TAX RATE WILL EFFECTIVELY BE RAISED BY *(INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE EFFECTIVE MAINTENANCE AND OPERATIONS RATE)* PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$*(Insert amount)*."

*Tax Code*  
*§ 26.05(b)(2)*

(2) Include on the homepage of any Internet website operated by the unit:

(A) The following statement: "*(Insert name of unit)* ADOPTED A TAX RATE THAT WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE.";

and

(B) If the tax rate exceeds the effective maintenance and operations rate, the following statement: "THE TAX RATE WILL EFFECTIVELY BE RAISED BY *(INSERT PERCENTAGE BY WHICH THE TAX RATE EXCEEDS THE EFFECTIVE MAINTENANCE AND OPERATIONS RATE)* PERCENT AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$*(Insert amount)*."

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**[www.window.state.tx.us/taxinfo/proptax](http://www.window.state.tx.us/taxinfo/proptax)**

For additional copies write:  
Texas Comptroller of Public Accounts  
Property Tax Assistance Division  
P.O. Box 13528  
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Texas Comptroller of Public Accounts  
Publication #96-312  
Revised July 2011

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